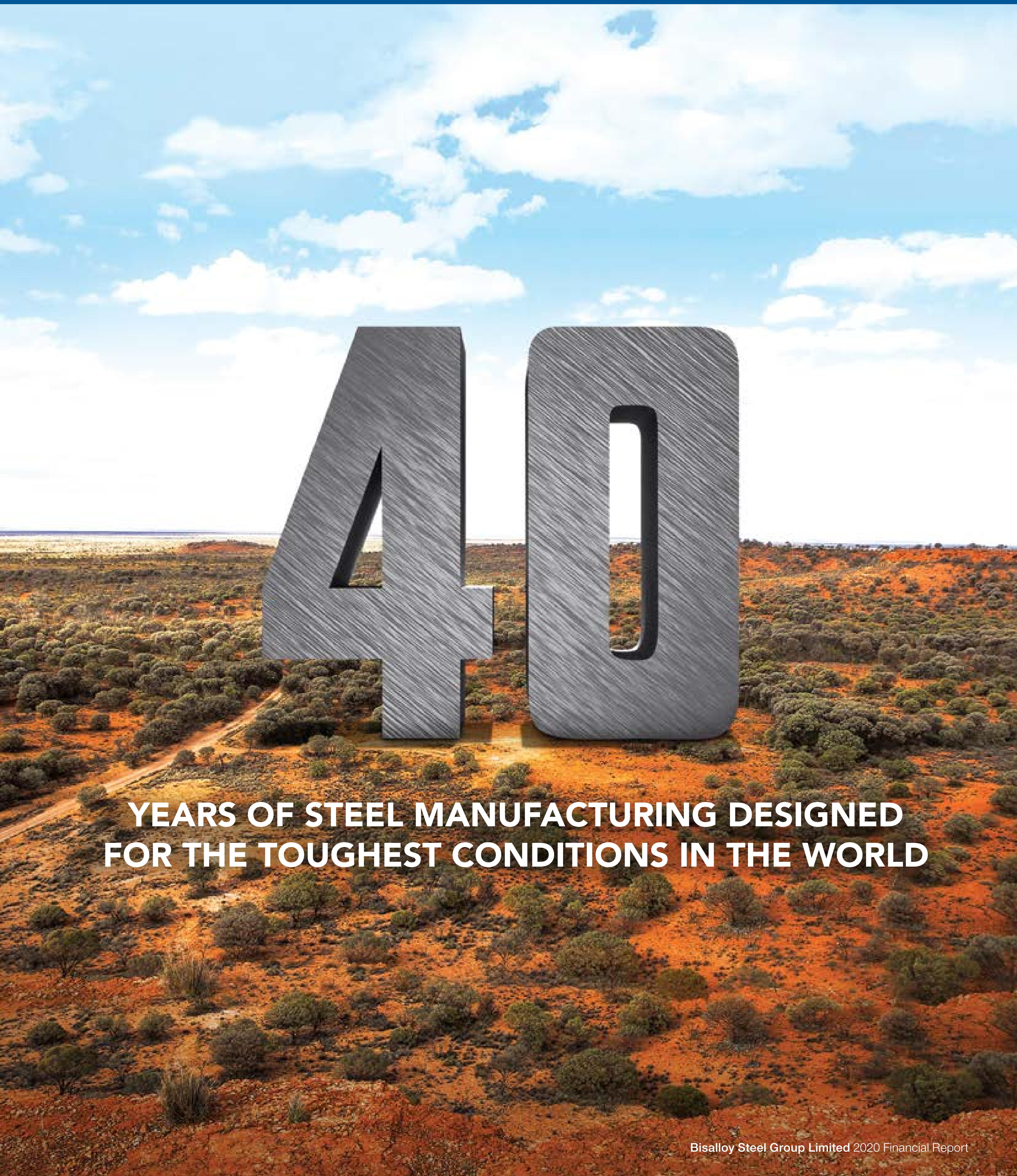
2020
Financial Report



Directors' Report

for the year ended 30 June 2020

Your Directors submit their report for the year ended 30 June 2020.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Mr Phillip Cave AM **B.BUS, FCPA** **CHAIRMAN**	**Skills and Experience:** Mr Cave is an experienced Director, Chairman and Chief Executive Officer with a career in major corporate turnaround projects, structured finance and corporate advisory service. Over a 37 year career, Mr Cave's experience has combined a mixture of operational management expertise across a wide variety of industries with an in depth knowledge of finance and banking. **Term of office:** A founding Director of the Company and Chairman since appointed in November 2001. Last re-elected in November 2019. **Board Committees:** • Chairman of the Nominations and Remuneration Committee • Audit and Risk Committee **Other Directorships:** • Chairman, Anchorage Capital Partners • Chairman, Excelsia College • Chairman, Ability First Australia • Chairman, Solgen Energy Group • Chairman, AHG and Scotts Refrigerated Transport
Mr Greg Albert **MBA** **MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER**	**Skills and Experience:** Mr Albert has professional qualifications in Mechanical Engineering, Marketing and has an MBA. Mr Albert was a Director of Bisalloy Steel Group's majority owned businesses – PT Bima Bisalloy and Bisalloy Thailand. Mr Albert was also Vice-Chairman of the Group's Co-operative Joint Venture, Bisalloy Shangang (Shandong) Steel Plate Co., Limited. **Term of office:** Appointed in January 2016. Mr Albert left Bisalloy in July 2020.

Mr Glenn Cooper

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Skills and Experience:

Mr Cooper has an engineering background and over 25 years experience as a senior executive in the mining, construction, transport and quarrying industries. He is an experienced senior executive across all business functions including sales, aftermarket, distribution and market development. Glenn has held previous senior executive roles at regional and global levels for major global OEM's and manufacturers. Mr Cooper is a Director of Bisalloy Steel Group's majority owned businesses – PT Bima Bisalloy and Bisalloy Thailand. Mr Cooper is also Vice-Chairman of the Group's Co-operative Joint Venture, Bisalloy Shangang (Shandong) Steel Plate Co., Limited.

Term of office:

Mr Cooper was appointed CEO Australia in November 2019 before being appointed as Managing Director and Chief Executive Officer in July 2020. As the Managing Director he is not subject to re-election by rotation.

Board Committees:

Nil

Other Directorships:

Nil

Mr Kym Godson

DIP TECH (BUS ADMIN), FAICD, FAIM

NON-EXECUTIVE DIRECTOR

Skills and Experience:

Mr Godson is an experienced public company Director and has extensive experience in the management of industrial businesses, particularly within the steel industry. He is a former Managing Director and CEO of the Company having retired from the position in November 2008.

Term of office:

A founding Director of the Company appointed in November 2001. Last re-elected in November 2018.

Board Committees:

- Audit and Risk Committee
- Nominations and Remuneration Committee

Other Directorships:

- Director, Carwood Pty Ltd

Mr Richard Grellman AM

FCA

NON-EXECUTIVE DIRECTOR

Skills and Experience:

Mr Grellman brings significant accounting and finance skills to the Company, having had over 33 years experience in the accounting profession. He was a partner at KPMG from 1982 to 2000 and a member of KPMG's National Board from 1995 to 1997 and National Executive from 1997 to 2000.

Term of office:

Appointed in February 2003 and was last re-elected in November 2019.

Board Committees:

- Chairman of the Audit and Risk Committee
- Nominations and Remuneration Committee

Other Directorships:

- Chairman, IPH Ltd from September 2014
- Chairman, FBR Ltd from July 2018
- Director, Excelsia College
- Lead Independent Director, The Salvation Army Australia from May 2018

Company Secretary

Mr Luke Beale **B COMM, MBA, ACA** **COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER**	**Skills and Experience:** Appointed in April 2018. Mr Beale is a Chartered Accountant with 20 years professional experience working in senior financial positions with listed companies in Australia, New Zealand and Asia. Mr Beale is a Director of Bisalloy Steel Group's majority owned businesses – PT Bima Bisalloy and Bisalloy Thailand. Mr Beale is also Financial Supervisor of the Group's Co-operative Joint Venture, Bisalloy Shangang (Shandong) Steel Plate Co., Limited.

Interests in shares of the company and related bodies corporate

As at the date of this report, the interests of the Directors in the shares of Bisalloy Steel Group Limited were:

	Number of ordinary shares
P J Cave	7,646,022
G Albert	327,904
G Cooper	5,813
K Godson	1,344,766
R Grellman	41,693

Dividends

	Cents	$'000
Final dividend recommended on ordinary shares (fully franked)	5.0	2,271
Dividends paid in the year	4.0	1,790

Principal activities

The principal activity of the Group during the financial year was the manufacture and sale of quenched and tempered, high-tensile, and abrasion resistant steel plates ("Q&T plate").

Operating and financial Review

Operations

Group

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 Co-Operative Joint Venture (CJV) – Bisalloy Shangang (Shandong) Steel Plate Co, Ltd.

Bisalloy continues to prioritise the journey to zero harm to our people, stakeholders and the environment. In FY20, the Group experienced a reduction in the severity of lost time and medical treatment injuries, but also an increase in the number of minor injuries to employees. The commitment to Safety and the Environment further evolved with the formal qualification to the International Standards Organisation for Safety and Environmental Management Systems (ISO45001 and ISO14001 respectively) being achieved.

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 12 months ended 30 June 2020, Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers, including the CJV.

Financial review

Operating results

The Group's net profit for the year after income tax was $6,828,000 (2019: $4,431,000).

The profit increase was primarily driven by a significant increase in domestic Australian sales volumes and margins. Profit from the Chinese CJV also increased while the Group's overseas distribution operations in Indonesia and Thailand remain profitable.

Operating results are summarised as follows:

	2020	
	Revenue $'000	Profit after tax $'000
Operating Segments		
Australia	98,884	7,439
Overseas	18,150	1,262
	117,034	8,701
Consolidated entity adjustments	(6,315)	(1,873)
Consolidated entity revenue and profit after tax for the year	**110,719**	**6,828**

Shareholder returns

The Board has decided to pay a dividend of 5.0 cents per share for the year ended 30 June 2020.

	2020	2019	2018	2017	2016
Basic earnings / (loss) per share (cents)	**14.9c**	8.3c	8.2c	3.4c	3.5c
Net profit / (loss) attributable to members ($'000)	**6,736**	3,682	3,636	1,509	1,541
Return on equity (reported PAT/equity) (%)	**16.0%**	12.6%	12.6%	6.6%	6.8%
Gearing (net debt / net debt + equity) (%)	**27%**	21%	16%	15%	23%
Dividends paid (cents)	**4.0c**	4.0c	2.5c	2.5c	4.0c
Dividends proposed (cents)	**5.0c**	4.0c	4.0c	2.5c	2.5c
Dividend franking	**100%**	100%	100%	100%	100%

Liquidity and capital resources

The consolidated statement of cash flows details a decrease in cash and cash equivalents before exchange rate differences for the year ended 30 June 2020 of $1,388,000 (2019: decrease of $714,000).

Operating activities resulted in a net cash outflow of $2,001,000 (2019: outflow of $1,128,000) due to an increase in working capital.

Investing activities required $2,222,000 (2019: $950,000) of net cash outflows for investment in operating plant and equipment.

Net cash inflows from financing activities were $2,835,000 (2019: inflow of $1,364,000), including the dividend paid in cash to shareholders in November 2019 totalling $1,472,000 (2018: $1,495,000).

Funding

The Group's net debt increased to $15.6m at 30 June 2020, up from $9.4m at 30 June 2019, with an increase in gearing to 27%, up from 21% at the end of last year.

In January 2020, Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited renewed the existing trade finance facility, invoice finance facility and two year bank bill business facility with Westpac Banking Corporation. The trade finance facility was increased from $6 million to $9 million, the invoice financing facility was increased from $10 million to $12 million and the bank bill facility was increased to $7 million. The total limit of these facilities is $28 million, up from $22 million in 2019.

The Group has IDR 44.5b revolver facilities (previously IDR 1b and USD$3m) as well as a USD$500k Letter of Credit facility available to its Indonesian based subsidiary. The USD revolver facilities were converted into IDR facilities in April 2020 in order to reduce exposure against foreign exchange movements.

Business strategy and outlook

Strategy

Domestic Australian sales

Market share growth resulted in domestic Australian sales volumes increasing by 30% in FY20. Operational efficiency and product cost improvements were achieved along with a greater presence in the mining, quarrying and heavy construction industries.

Bisalloy's armour products remains a strategic focus with the Australian Federal Government's various projects.

In FY19, Bisalloy successfully completed the supply for the first trial and the first qualification heat for the future submarine program. Bisalloy completed the supply for the final two qualification heats in the second half of FY20. Supply relating to this qualification process is commercially rewarding.

Bisalloy continue to work with Rheinmetall Germany on testing ahead of acceptance for the LAND400 Phase 2 program. Final certification is expected by the end of December 2020. Further, we continue to work with select international defence companies.

Co-Operative Joint Venture in China

In February 2019, Bisalloy's CJV partner, Shandong Steel, began the commissioning of its state of the art steel making plant at Rizhao, Shandong province. This facility has added 20 million tonnes of capacity, making them the second biggest steel company in China. The overall result from this plant will be positive in the long term, but has been compressed in the short term.

Overseas Distribution

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

Covid-19

Maintaining the personal, health and safety of Bisalloy employees and customers has been 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. No plant or operational closures have occurred to date.

FY21 Outlook

The future impact of Covid-19 is unknown at this stage. Subject to this, Bisalloy is projecting increased profitability in FY21. To achieve this, Bisalloy is continuing with its growth strategy focused on premium grades of QT steels from its Unanderra plant as well as increasing volumes from its CJV operation in China.

Business risk management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit and Risk Committee comprising non-executive Directors, whose meetings are also attended by the executive Director. In addition, sub-committees are convened as appropriate in response to issues and risks identified by the Board, and the sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- Establishment of committees to report on specific business risks, including for example, such matters as environmental issues and concerns and occupational health and safety.
- Board review of financial risks such as the Group's liquidity, currency, interest rate and credit policies and exposures and monitors management's actions to ensure they are in line with Group policy.

The major high level business risk with the greatest potential to materially impact on the financial outlook for the Group is continued upward pressure on energy prices. Both electricity, and natural gas in particular, are integral inputs into the Group's manufacturing process, and affordable energy resources are critical if the Group is to maintain its competitive advantage. Furthermore, supply constraints, market dysfunction and higher gas prices may impact many sectors of the economy including the mining and agricultural sectors on the demand side and the Group's ability to source competitively priced raw material on the supply side. Bisalloy Australia currently has retail contacts in place for electricity supply through to the end of December 2022 and gas supply through to the end of December 2023.

Significant changes in the state of affairs

Total equity increased from $35,190,000 to $42,580,000, an increase of $7,390,000. In addition to the net profit for the year, the Group recorded a revaluation of land and buildings ($2,122,000 net of tax), partially offset by a final dividend totalling $1,790,000 in respect of the year ended 30 June 2019 which was paid to shareholders in November 2019, together with foreign currency translation gain of $114,000 relating to the overseas subsidiaries.

Significant events after the balance date

There have been no significant events after the balance date.

Indemnification and insurance of directors and officers

The Group must, subject to certain exceptions set out in the constitution, indemnify each of its officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the officer, as an officer of the Group (including all liabilities incurred where the officer acts as an officer of any other body corporate at the request of the Group) including any liability for negligence and for reasonable legal costs.

During the year or since the end of the year, the Group has paid premiums in respect of a Directors and officers liability insurance policy. Details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy have not been disclosed, as such disclosure is prohibited under the terms of the contract.

Environmental regulation

The Group's activities are governed by a range of environmental legislation and regulations. The Group utilises both internal and external environmental assessments to verify its compliance with applicable environmental legislation and regulations.

The Group is registered under National Greenhouse and Energy Reporting Act 2007 under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities. The Group has implemented systems and processes for the collection and calculation of the data to meet its reporting requirements.

The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Rounding

The amounts contained in this report and in the Financial Report have been rounded to the nearest $1,000 (where rounding is applicable) under the option available to the company under ASIC Corporations Instrument 2016/191. The company is an entity to which the Class Order applies.

Auditor independence

The Directors received the declaration on page 20 from the auditor of Bisalloy Steel Group Limited which forms part of this report.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, KPMG, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify KPMG during or since the financial year.

Non-audit services

During the year the Company's auditor, KPMG, has performed certain other services in addition to the audit and review of the financial statements. The board has considered the non-audit services during the year by the auditor and is satisfied that the provision of those non-audit services is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001.

Details of the amounts paid to the Company's auditor for audit and non-audit services provided during the year are set out below.

In dollars	2020
Services other than audit and review of financial statements	
– Tax compliance engagement	57,000
– Other assurance services	18,000
Audit and review of financial statements	203,000
Total paid to KPMG	**278,000**

Likely developments and expected results

Bisalloy is continuing with its growth strategy into FY21 in a shift towards focusing on the premium grades of QT steels from its Unanderra plant, including armour and defence grades while developing the volume growth of other products sourced from Bisalloy's CJV operation.

This strategy and focus has resulted in strong margin growth in the second half of FY20 with good momentum going into FY21. Bisalloy is forecasting profitability to be up in FY21.

Directors' meetings

The number of Directors meetings and number of meetings attended by each of the Directors of the Company during the financial year are:

		Committee meetings	
	Directors' meetings	Audit and risk	Nominations and remuneration
Number of Meetings Held	9	4	2
Number of Meetings Attended			
P Cave	8	4	2
G Albert	9	4	2
K Godson	9	4	2
R Grellman	9	4	2

Remuneration report (audited)

This remuneration report for the year ended 30 June 2020 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any Director (whether executive or otherwise) of the parent company, and includes the five executives in the Group receiving the highest remuneration.

Remuneration policy

The remuneration policy is set in recognition that the performance of the Group depends upon the quality of its Directors and executives. In order to perform, the Group must be successful in attracting, motivating and retaining Directors and executives of the highest quality.

To assist in achieving this objective, the remuneration policy embodies the following principles:

1. Provide competitive remuneration to attract high calibre Directors and executives.
2. Align executive rewards with creation of shareholder value.
3. Ensure a significant component of executive remuneration is 'at risk' dependent upon meeting pre-determined performance hurdles.
4. Establish appropriately demanding performance hurdles in relation to variable executive remuneration.
5. Provide the opportunity for non-executive Directors to sacrifice a portion of their fees to acquire shares in the Company at market price.

Nominations and remuneration committee

The Nominations and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the Directors, the Managing Director and other senior executives, and the review and recommendation of general remuneration principles.

Remuneration structure

The structure of non-executive Director and executive remuneration is separate and distinct, in accordance with good corporate governance principles.

Non-executive director remuneration

Objective

The Board sets aggregate remuneration at a level which is intended to provide the Company with the ability to attract and retain non-executive Directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX listing rules specify that the non-executive Director fee pool shall be determined from time to time by a general meeting. The non-executive Director fee pool is currently set at $369,000. The Board will not seek any increase for the fee pool at the 2020 AGM.

The remuneration of non-executive Directors must not include a commission on, or a percentage of, profits or operating revenue but non-executive Directors are entitled to be reimbursed for travelling and other expenses incurred in attending to the Company's affairs.

Each non-executive Director receives a fee for being a non-executive Director of the Company and an additional fee for each Board Committee on which a non-executive Director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by non-executive Directors who serve on one or more sub committees.

Non-executive Directors are encouraged by the Board to hold shares in the Company and are able to participate in the Non-executive Director ("NED") Share Plan. Under the NED Share Plan a non-executive Director can choose to sacrifice up to 100% of their annual Director's fee and instead be allocated shares up to the equivalent value. The value of the allocated shares is determined by reference to the market value on the day they are acquired on market.

The remuneration of non-executive Directors for the period ended 30 June 2020 is detailed in the table on page 11 of this report.

Executive director and executive manager remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their duties and responsibilities within the Group and to:

- reward executives for Group, business unit and individual performance measured against targets set by reference to appropriate benchmarks;
- link reward with the achievement of the Group's strategic goals;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive.

Structure

Executive Director and executive manager remuneration consists of the following key components:

1. Fixed Remuneration
2. Variable Remuneration made up of:
   - Short Term Incentive (STI); and
   - Long Term Incentive (LTI)

The proportion of total remuneration that is fixed or variable (either short term or long term incentives) is determined for each individual executive by the Nominations and Remuneration Committee.

The remuneration of members of management who have the authority and responsibility for planning, directing and controlling the activities of the Group for the year ended 30 June 2020 is detailed in the table on page 11 of this report.

Fixed remuneration

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both commensurate with the individual's duties and responsibilities within the Group and competitive in the market.

Fixed remuneration is reviewed annually by the Nominations and Remuneration Committee utilising a process of reviewing group-wide, business unit and individual performance, relevant comparative remuneration in the market and internal and external advice on policies and practice.

Structure

Executive Directors and executive managers are provided with the opportunity to receive their fixed remuneration in a variety of forms, including cash, additional superannuation contributions and fringe benefits such as motor vehicles. The aim is to provide payments in a form that is both optimal for the recipient and cost efficient for the Group.

The fixed remuneration component of executive Directors and members of management who have the authority and responsibility for planning, directing and controlling the activities of the Group for the year ended 30 June 2020 is detailed in the table on page 11 of this report.

Variable remuneration – short term incentives (STI)

Objective

The STI program has been designed to align the remuneration received by executive Directors and executive managers with the achievement of the Group's operational and financial targets. The total potential STI available for payment is determined so as to provide sufficient incentive to executive Directors and executive managers to achieve the targets and so that the cost to the Group is reasonable in the circumstances.

Structure

The actual STI payments granted to each executive Director and executive manager depends upon the extent to which specific operational and financial targets set at the beginning of the financial year are met. The targets consist of a number of both financial and non-financial Key Performance Indicators (KPIs).

After the end of each financial year, consideration is given to performance against each of these KPIs to determine the extent of any payment to an individual executive Director or executive manager. The aggregate of STI payments and STI payments to individuals is subject to the approval of the Nominations and Remuneration Committee. The individual needs to be employed at the time of payment to be eligible for the payment.

Payments made are normally paid as cash but the recipient is also able to elect to receive payment in alternative forms.

Variable remuneration – long term incentives (LTI)

Objective

The LTI program has been designed to align the remuneration received by executive Directors and executive managers with the creation of shareholder wealth.

Consequently, LTI grants are only made to executives who are in a position to influence shareholder wealth and thus have the opportunity to influence the company's performance against the relevant long term performance hurdles.

Structure

At the 2019 Annual General Meeting, the LTI plan was renewed for LTI grants to executives in the form of share rights.

These rights are granted in two equal parts. The first part is based on retention and requires the holder remain an employee for three years from grant date. The second part is based on delivering superior long-term performance as measured by Return on Equity ("ROE"), with each grant of rights divided into three equal tranches. For each tranche, actual ROE is measured against a budget ROE and a stretch

ROE as determined annually by the Board in respect of the forthcoming year. The proportion of the rights which vest depend on where within this range the Group performs, with 100% vesting on achieving the stretch ROE and no rights vesting if actual ROE is less than 90% of the budgeted ROE. For the 2020 year, the stretch ROE was set at 115% of the budget ROE. Any rights to which the employee may become entitled on achieving the performance criteria, are still subject to the three year retention criteria before they can vest.

Any share rights which do not vest, as a result of the relevant performance condition not being satisfied, lapse. If the holder leaves the business, the unvested rights lapse on the leaving date unless the Board determines otherwise. In the event of a change in control of the Group, the vesting date will generally be brought forward to the date of change of control and share rights will vest subject to performance over this shortened period, subject to ultimate Board discretion.

Once vested a holder may exercise their share rights and be allocated a fully paid ordinary share of Bisalloy at no cost to the employee or the equivalent in cash at the Board's discretion.

A total of 400,000 share rights (2019: 1,200,000) were granted under this scheme during the year.

Group performance

The Board has determined that 100% of the performance components of the 2020 share rights have vested as the stretch ROE was achieved.

For further detail of historical performance, refer to the following table.

	2020	2019	2018	2017	2016
Return on equity (reported PAT/equity) (%)	**16.0%**	12.6%	12.6%	6.6%	6.8%

Details of key management personnel of the company and group

(i) Directors

P Cave	Non-executive Chairman
R Grellman	Non-executive Director
K Godson	Non-executive Director
G Albert	Managing Director and Chief Executive Officer (until 6 July 2020)
G Cooper	Managing Director and Chief Executive Officer (from 6 July 2020)

(ii) Executives

L Beale	Chief Financial Officer and Company Secretary
M Enbom	Chief Operations Officer (changed role on 1 November 2019 from General Manager Operations)
A Egan	Bisalloy Australia Sales and Marketing Manager
A Huckstepp	Bisalloy Australia Head of Export, Sourcing and Logistics

Executive contracts

Remuneration arrangements for the key management personnel are formalised in employment contracts.

Details of these contracts are provided below.

G Albert – Managing Director and Chief Executive Officer (until 6 July 2020)

- Regular employment contract without fixed term
- Participation in STI and LTI schemes
- 6 months notice required for termination of employment by employee
- 12 months notice required for termination by company

G Cooper – Managing Director and Chief Executive Officer

- Regular employment contract without fixed term
- Participation in STI and LTI schemes
- 6 months notice required for termination of employment

L Beale – Chief Financial Officer and Company Secretary

- Regular employment contract without fixed term
- Participation in STI and LTI schemes
- 3 months notice required for termination of employment

M Enbom – Chief Operations Officer

- Regular employment contract without fixed term
- Participation in STI and LTI schemes
- 3 months notice required for termination of employment

A Egan – Bisalloy Australia Sales and Marketing Manager

- Regular employment contract without fixed term
- Participation in STI and LTI schemes
- 1 month notice required for termination of employment

A Huckstepp – Bisalloy Australia Head of Export, Sourcing and Logistics

- Regular employment contract without fixed term
- Participation in STI and LTI schemes
- 3 months notice required for termination of employment

Remuneration of key management personnel of the company and group

Year ended 30 June 2020

	Short-term		Long term	Post employment			Share based payments		
	Salary and fees $	Cash bonus $	Long service and annual leave $	Super-annuation $	Retire-ment benefits $	Term-ination benefits $	Share rights $	Total $	Perf-ormance related %
Non-Executive Directors									
P Cave	150,000	–	–	–	–	–	–	150,000	–
R Grellman	100,000	–	–	9,500	–	–	–	109,500	–
K Godson	100,000	–	–	9,500	–	–	–	109,500	–
Sub-total Non-Executive Directors	**350,000**	**–**	**–**	**19,000**	**–**	**–**	**–**	**369,000**	**–**
Executive Directors									
G Albert[1]	575,000	–	9,681	25,000	–	–	557,710	1,167,391	48%
Sub-total Executive Directors	**575,000**	**–**	**9,681**	**25,000**	**–**	**–**	**557,710**	**1,167,391**	**48%**
Other key management personnel									
G Cooper[2]	213,590	71,066	20,041	15,545	–	–	61,496	381,738	35%
L Beale	311,056	34,975	14,702	25,000	–	–	92,080	477,813	27%
S Gleeson[3]	172,344	–	–	15,885	–	30,641	(55,654)	163,216	–
M Enbom	244,254	82,463	12,548	23,204	–	–	44,594	407,063	31%
A Egan[4]	43,651	–	3,604	3,841	–	–	–	51,096	–
A Huckstepp	179,754	40,052	7,962	24,970	–	–	1,961	254,699	16%
Sub-total executive KMP	**1,164,649**	**228,556**	**58,858**	**108,445**	**–**	**30,641**	**144,477**	**1,735,626**	**21%**
Totals	**2,089,649**	**228,566**	**68,539**	**152,445**	**–**	**30,641**	**702,187**	**3,272,017**	**28%**

1 Mr Albert left Bisalloy on 6 July 2020 and accordingly his share rights were forfeited.

2 Mr Cooper was appointed on 11 November 2019.

3 Mr Gleeson resigned on 14 November 2019. His final day of employment was 13 February 2020.

4 Mr Egan was appointed on 15 April 2020.

5 The ‘cash bonus’ figures are those accrued for in the reporting period to be paid in September 2020.

Directors' Report (continued)

for the year ended 30 June 2020

Year ended 30 June 2019 (restated)

	Short-term		Long term	Post employment			Share based payments		
	Salary and fees $	Cash bonus $	Long service and annual leave $	Super-annuation $	Retire-ment benefits $	Term-ination benefits $	Share rights $	Total $	Perf-ormance related %
Non-Executive Directors									
P Cave	150,000	–	–	–	–	–	–	150,000	–
R Grellman	100,000	–	–	9,500	–	–	–	109,500	–
K Godson	100,000	–	–	9,500	–	–	–	109,500	–
D Pong[1]	30,000	–	–	–	–	–	–	30,000	–
Sub-total Non-Executive Directors	**380,000**	**–**	**–**	**19,000**	**–**	**–**	**–**	**399,000**	**–**
Executive Directors									
G Albert	575,000	–	24,448	25,000	–	–	308,253	932,701	33%
Sub-total Executive Directors	**575,000**	**–**	**24,448**	**25,000**	**–**	**–**	**308,253**	**932,701**	**33%**
Other key management personnel									
L Beale	303,500	–	5,101	25,000	–	–	54,667	388,267	14%
S Gleeson	272,052	–	1,565	25,000	–	–	39,635	338,253	12%
M Enbom[2]	148,557	–	13,180	14,113	–	–	17,099	192,949	–
A Huckstepp	179,239	–	(2,294)	24,954	–	–	9,045	210,944	4%
Sub-total executive KMP	**903,348**	**–**	**17,583**	**89,066**	**–**	**–**	**120,445**	**1,130,413**	**11%**
Totals	**1,858,348**	**–**	**42,000**	**133,067**	**–**	**–**	**428,698**	**2,462,113**	**17%**

1 Mr Pong resigned as Director on 11 September 2018. He has continued in his other role as CJV Board member.

2 Mr Enbom was appointed on 5 November 2018.

3 The 'cash bonus' figures historically have been reported on a cash basis. These have been re-stated on an accrual basis. The impact was that G Albert reduced by 118,250, L Beale reduced by 50,000, S Gleeson reduced by 37,204 and A Huckstepp reduced by 20,484.

4 Long service and annual leave amounts have been restated to correct an error. The impact was that G Albert increased by 5,682, L Beale reduced by 1,444, S Gleeson reduced by 4,573, M Enbom increased by 10,256 and A Huckstepp reduced by 7,583.

Share rights

Share rights holders do not have any entitlement, by virtue of the rights, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

Performance rights holdings of key management personnel of the company and group

	Balance at 1 July 2019	Granted during the year	Rights exercised during the year	Forfeited or lapsed	Balance at 30 June 2020	Vested and exercisable	Unvested
Executive							
G Albert[1]	1,161,237	–	(327,904)	–	833,333	–	833,333
G Cooper[2]	–	400,000	–	–	400,000	–	400,000
L Beale	333,333	–	–	–	333,333	–	333,333
M Enbom	166,667	–	–	–	166,667	–	166,667
S Gleeson[3]	280,072	–	(98,370)	(181,703)	–	–	–
A Huckstepp	65,579	–	(65,579)	–	–	–	–
	2,006,888	**400,000**	**(491,853)**	**(181,703)**	**1,733,333**	**–**	**1,733,333**

1 655,809 of Mr Albert's rights vested on 25 February 2019. The Board elected to provide a cash payment for 50% of these in FY19, with the remaining 50% exercised as shares in FY20. This, along with the new issue of 1,000,000 share rights, was approved at the AGM on 28 November 2019. Mr Albert left Bisalloy on 6 July 2020 and accordingly his share rights were forfeited.

2 Mr Cooper was appointed on 11 November 2019.

3 Mr Gleeson resigned on 14 November 2019. His final day of employment was 13 February 2020.

	G Albert[1] #1	S Gleeson[2] #1	A Huckstepp	L Beale	S Gleeson[2] #2	M Enbom	G Albert[3] #2	G Cooper[4]	Total
Grant date	26-Feb-16	19-Oct-16	19-Oct-16	16-Apr-18	15-Jun-18	5-Nov-18	26-Feb-19	11-Nov-19	
Vesting date	25-Feb-19	18-Oct-19	18-Oct-19	30-Jun-21	30-Jun-21	4-Nov-21	25-Feb-22	10-Nov-22	
Fair value at grant date	$0.42	$0.39	$0.39	$0.82	$0.75	$0.79	$1.00	$0.97	
Balance at 1 July 2019	327,904	196,739	65,579	333,333	83,333	166,667	833,333	–	2,066,888
New grants in the year	–	–	–	–	–	–	–	400,000	400,000
Exercised in the year	(327,904)	(98,370)	(65,579)	–	–	–	–	–	(491,853)
Lapsed during the year	–	(98,370)	–	–	(83,333)	–	–	–	(181,703)
Balance at 30 June 2020	**–**	**–**	**–**	**333,333**	**–**	**166,667**	**833,333**	**400,000**	**1,733,333**
Vested and exercisable at 30 June 2020	–	–	–	–	–	–	–	–	–

1 Mr Albert's grant date shown is the date of the initial award. The 327,904 balance as at 30 June 2019 was approved at the AGM on 28 November 2019. The fair value on this date was $1.20.

2 Mr Gleeson resigned on 14 November 2019. His final day of employment was 13 February 2020.

3 Mr Albert's 1,000,000 share rights awarded on 26 February 2019 were approved at the AGM on 28 November 2019. The fair value of $1.00 was as at the date of the initial award. The fair value on the date of approval was $1.10. Mr Albert left Bisalloy on 6 July 2020 and accordingly his share rights were forfeited.

4 Mr Cooper was appointed on 11 November 2019.

The Board has determined that 100% of the performance components of the 2020 share rights have vested as the stretch ROE was achieved. Final vesting of the share rights are subject to each executive remaining employed by the Group until the vesting date.

Directors' Report (continued)

for the year ended 30 June 2020

Shareholdings of key management personnel

Shareholdings include shares held personally and through related parties.

	Balance at 30-Jun-19	Performance rights exercised	Other	Balance at 30-Jun-20
Directors				
P J Cave	7,622,776	–	23,246	7,646,022
K Godson	1,344,766	–	–	1,344,766
R Grellman	41,693	–	–	41,693
G Albert	–	327,904	–	327,904
Executives				
G Cooper[1]	–	–	5,813	5,813
L Beale	–	–	7,500	7,500
S Gleeson[2]	–	–	–	–
M Enbom	–	–	–	–
A Egan[3]	–	–	–	–
A Huckstepp	–	32,791	–	32,791
	9,009,235	**360,695**	**36,559**	**9,406,489**

1. Mr Cooper was appointed on 11 November 2019.
2. Mr Gleeson resigned on 14 November 2019. His final day of employment was 13 February 2020.
3. Mr Egan was appointed on 15 April 2020.

Audit

The information contained in the Remuneration Report has been audited.

Signed in accordance with a resolution of the Directors.

The Directors have received the Auditors independence declaration which is included on page 20.

Glenn Cooper

Glenn Cooper
Managing Director
26 August 2020

Corporate Governance Statement

for the year ended 30 June 2020

The Board of Directors of Bisalloy Steel Group Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The Board guides and monitors the business and affairs of Bisalloy on behalf of the shareholders by whom they are elected and to whom they are accountable.

The tables below summarise the Group's compliance with the CGC's recommendations.

The Company's website, from which the documents referred to can be accessed, is at www.bisalloy.com.au

Recommendation	Comply Yes/No	Reference/explanation
Principle 1 – Lay solid foundations for management and oversight		
1.1 Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.	Yes	The Board has a formal Corporate Governance Code which sets out the respective roles and responsibilities of the Board and management. In addition, the Board committees have specific Charters which provide further details on the matters reserved for the Board or its committees.
1.2 Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.	No	The Company has an Equal Employment Opportunity Policy under which it commits to ensuring applicants for employment are drawn from a full cross section of the community and that the merit principle forms the basis of recruitment and promotion. In light of the total number of employees and low turnover levels in all management levels of the Group, the Board believes that little effective benefit would be achieved from the setting of measurable objectives for achieving gender diversity and that the interests of the Group are best served in this case by rigorous application of the merit principle in all recruitment and promotion decisions.
1.3 Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress toward achieving them.	No	Measurable objectives for achieving gender diversity are not set by the Board as discussed under Principle 1.2.
1.4 Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board.	Yes	10% of employees across the organisation are women and there are no women in senior executive positions or on the Board.
1.5 Companies should disclose the process for evaluating the performance of senior executives.	Yes	A formal structured review is undertaken each year for each employee. Senior executives are reviewed by the CEO and input provided by the Chair. This process generally takes place in May each year.
1.6 Additional information.		The Corporate Governance Code and other relevant charters are available on the Company's website.
Principle 2 – Structure the Board to be effective and add value		
2.1 A majority of the Board should be independent Directors.	Yes	The Board currently has four Directors, two of whom are considered independent. The Board has adopted the CGC's guidelines as the basis for determining whether a Director can be considered independent and has set relevant thresholds for materiality. Whether or not a Director meets the CGC guidelines for independence, each Director is expected to exercise unfettered and independent judgement. The following Directors are considered independent: • Mr Grellman • Mr Godson

Recommendation	Comply Yes/No	Reference/explanation
2.2 The Chair should be an independent Director.	No	The Board believes that while the Chairman is not independent, the current composition of the Board with its combined skills and capability, best serves the interests of the shareholders.
2.3 The roles of Chair and Chief Executive Officer should not be exercised by the same individual.	Yes	The roles of Chair and Chief Executive Officer are not exercised by the same individual.
2.4 The Board should establish a nomination committee.	Yes	The Company has a combined Remuneration & Nominations Committee. The charter can be reviewed on the Company's website.
2.5 Companies should disclose the process for evaluating the performance of the Board, its committees and individual Directors.	Yes	The Chair monitors the performance of the Board and conducts informal meetings with the other Directors during the year. The Board undertakes a formal review every 12 to 18 months. The review includes: • examination of the effectiveness and composition of the Board, including the required mix of skills, experience and other qualities which the non-executive Directors should bring to the Board for it to function competently and efficiently; • review of Bisalloy's strategic direction and objectives; • assessment of the Managing Director's performance by the non-executive Directors; • assessment of whether corporate governance practices are appropriate and reflect "good practice"; and • assessment of whether the expectations of differing stakeholders have been met. As part of this process the Chairman also: • meets with the senior executives to discuss with them their views of the Board's performance and level of involvement; • discusses each individual Director's contributions face-to-face as appropriate; and • meets with the other non-executive Directors without any management present (this is in addition to the consideration of the Managing Director's performance and remuneration which is conducted in the absence of the Managing Director).
2.6 Additional information		Details of the composition, skills, experience, term in office, attendance at meetings of the members of the Board at the date of this statement are set out in the Directors' Report.

<table>
<tr><th>Recommendation</th><th>Comply Yes/No</th><th>Reference/explanation</th></tr>
<tr><td colspan="3">Principle 3 – Instil a culture of acting lawfully, ethically and responsibly</td></tr>
<tr><td>3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:
• the practices necessary to maintain confidence in the company's integrity
• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders
• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</td><td>Yes</td><td>The Group has an established Code of Conduct which applies to all employees, officers and Directors of the Group. An annual adherence declaration is required of each employee as part of their performance appraisal discussed at Principle 1.2.
The Code of Conduct has four key principles as follows:
1. We respect each other and treat all people fairly
2. We respect the law and act accordingly
3. We act honestly and fairly in all our business activities and relationships
4. We use Bisalloy's property responsibly and in the best interests of Bisalloy
The Group also has a number of other policies and standards which underpin the Code of Conduct including policies on Appropriate Workplace Behaviour, Equal Employment Opportunity, Safety, Fitness for Work, Workplace Harassment and Discrimination. Together these form a framework for ethical and responsible decision making and proscribe how the individuals of the Group behave internally and externally.
In addition, the Board has an established Corporate Governance Code as discussed under Recommendation 1.</td></tr>
<tr><td>3.2 Additional information</td><td></td><td>The Company values are available on the Company website.</td></tr>
<tr><td colspan="3">Principle 4 – Safeguard the integrity of corporate reports</td></tr>
<tr><td>4.1 The Board should establish an audit committee.</td><td>Yes</td><td>The Company has an Audit & Risk Committee.</td></tr>
<tr><td>4.2 The audit committee should be structured so that it:
• consists only of non-executive Directors
• consists of a majority of independent Directors
• is Chaired by an independent Chair, who is not Chair of the Board
• has at least three members</td><td>Yes</td><td>At the date of this report the Company's Audit and Risk Committee was:
• comprised of non-executive Directors being Mr Grellman, Mr Cave and Mr Godson.
• Chaired by Mr Grellman
• governed by a Charter approved by the Board
• sufficiently autonomous to be able to discharge its duties and responsibilities including the authority to select, retain and terminate external advisers as the Committee considers necessary without seeking approval of the Board or management.</td></tr>
<tr><td>4.3 The audit committee should have a formal charter.</td><td>Yes</td><td>The Audit & Risk Committee is governed by a formal Charter and is responsible for ensuring that an effective internal control framework exists within the Group. This includes internal controls for effective reporting of financial information, the appropriate application and amendment of accounting policies and the identification and management of risk.</td></tr>
<tr><td>4.4 Additional information.</td><td></td><td>Full details in relation to names, skills, term of office and attendance at meetings for each member of the Committee are set out in the Directors' Report.
The Audit & Risk Committee Charter is available on the Company's website.</td></tr>
</table>

Recommendation	Comply Yes/No	Reference/explanation
Principle 5 – Make timely and balanced disclosure		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	The Group has a formal Continuous Disclosure Policy. The policy aims to ensure that once management becomes aware of any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's shares (subject to the relevant exceptions), that such information is released to the market. The Board is committed to ensuring all investors have equal and timely access to material information concerning the Group and that the Group's announcements are factual and presented in a clear and balanced way. The Company Secretary is the person responsible for continuous disclosure and communicating with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements under the ASX Listing Rules and overseeing and co-ordinating information disclosed to the ASX, market participants and the public.
5.2 Additional information		The Company's Continuous Disclosure Policy is available on the Company's website.
Principle 6 – Respect the rights of security holders		
6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	Yes	In order to facilitate shareholders accessing information about the Group, all Group announcements, briefings, presentations and reports are posted on the Company's website after release. The website includes additional news items about the activities of the Group which are not market sensitive. Shareholders are entitled to receive a copy of the Annual Report and can elect the method by which it is delivered. The Group encourages shareholders to elect to receive the Annual Report and other correspondence from the Company electronically and requires shareholders to 'opt in' if they wish to receive a hard copy of the report. Shareholders are encouraged to attend for the Annual General Meeting as full use is made of the occasion to inform shareholders of current developments through presentations and the opportunity to ask questions of management and the Group's external auditors.
Principle 7 – Recognise and manage risk		
7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	The Board has allocated responsibility to the Audit & Risk Committee to ensure there are adequate polices, procedures and control systems in relation to risk management and compliance. The Committee reviews and approves polices pertaining to material business risks to ensure they are current and adequately address the necessary aspects of risk management.

Recommendation	Comply Yes/No	Reference/explanation
7.2 The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	The Company has developed and implemented a risk management process to ensure that there are up-to-date risk management policies and procedures which reflect the Board's appetite for risk and which are consistently applied across the Group. Conformance with policies and procedures is the responsibility of management and compliance reviewed on a periodic basis. The Company has an Audit & Risk Committee which meets regularly during the year. At the meetings the Committee receives explanations from management on any breakdowns in internal controls identified and the actions proposed to resolve them. Items remain open and are reviewed at following committee meetings until resolved to the Committee's satisfaction.
7.3 The Board should disclose whether it has received assurance from the Chief Executive Officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to Financial Reporting risks.	Yes	In accordance with section 295A of the *Corporations Act*, the CEO and CFO have provided a written statement to the Board that: • their view provided on the Group's Financial Report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board. • the Company's risk management and internal compliance and control system is operating effectively in all material respects.
7.4 Additional information.		The risk management process, discussed at Principle 7.3, includes a wide range of proprietary policies and procedures which have been developed specifically for the Company and its business. The Company believes it would be unreasonably prejudicial to its interests and inappropriate to disclose this information publicly.
Principle 8 – Remunerate fairly and responsibly		
8.1 The Board should establish a remuneration committee.	Yes	The Company has a Nominations and Remuneration Committee which meets as required each year.
8.2 The remuneration committee should be structured so that it: • Consists of a majority of independent Directors • Is Chaired by an independent Chair • Has at least three members		At the date of this report the Company's Remuneration Committee was: • comprised of non-executive Directors being Mr Cave, Mr Grellman and Mr Godson. • Chaired by Mr Cave, with two independent Directors. • governed by a Charter approved by the Board sufficiently autonomous to be able to discharge its duties and responsibilities including the authority to select, retain and terminate external advisers as the Committee considers necessary without seeking approval of the Board or management.
8.3 Companies should clearly distinguish the structure of non-executive Directors' remuneration from that of executive Directors and senior executives.	Yes	Full details of the Company's remuneration policy are set out in the Remuneration Report.
8.4 Additional information		Full details in relation to names, skills, term of office and attendance at meetings for each member of the Committee are set out in the Directors' Report. The Nominations and Remuneration Committee Charter is available on the Company's website.

Auditor's Independence Declaration

for the year ended 30 June 2020

KPMG

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 audit of Bisalloy Steel Group Limited for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Warwick Shanks

Partner

Sydney

26 August 2020

Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2020

In thousands of dollars	Notes	Consolidated 30 June 2020	30 June 2019 restated*
Continuing operations			
Revenue from contracts with customers	3	110,719	98,124
Cost of goods sold		(87,173)	(80,029)
Gross profit		**23,546**	**18,095**
Other (expenses) / income	5(a)	(453)	97
Gain on sale of fixed assets		–	6
Distribution expenses		(2,534)	(2,068)
Marketing expenses		(3,163)	(3,424)
Occupancy expenses		(758)	(712)
Administrative expenses		(8,085)	(6,749)
Operating profit		**8,553**	**5,245**
Finance costs	5(b)	(1,231)	(1,191)
Finance income	5(b)	42	16
Share of profit of joint venture, net of tax	6	1,653	1,607
Profit before income tax		**9,017**	**5,677**
Income tax expense	7(a)	(2,189)	(1,246)
Profit after income tax		**6,828**	**4,431**
Attributable to:			
Non-controlling interest	23(d)	92	749
Owners of the parent		6,736	3,682
Profit for the year		**6,828**	**4,431**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value revaluation of land and buildings		3,032	121
Foreign currency translation		114	1,908
Actuarial (losses) / gains		(56)	10
Income tax effect on items in other comprehensive income		(910)	(30)
Other comprehensive income for the period, net of tax		**2,180**	**2,009**
Total comprehensive income for the period, net of tax		**9,008**	**6,440**
Attributable to:			
Non-controlling interest		141	1,094
Owners of the parent		8,867	5,346
		9,008	**6,440**
Earnings per share for profit attributable to ordinary equity holders of the parent			
– Basic earnings per share (cents)	8	14.9	8.3
– Diluted earnings per share (cents)	8	14.3	7.9

* 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 2(z). The 2019 figures have, however, been restated from what was reported in the 2019 Financial Report with $203k re-allocated from Cost of goods sold to Distribution expenses.

Consolidated Statement of Financial Position

as at 30 June 2020

In thousands of dollars	Notes	Consolidated 30 June 2020	Consolidated 30 June 2019 restated*
ASSETS			
Current assets			
Cash and cash equivalents	10(a)	672	2,043
Trade and other receivables	11	17,031	17,803
Inventories	12	38,228	31,990
Other current assets	13	1,182	1,357
Contract assets	3.2	200	303
Income tax receivable	7(e)	496	273
Derivative asset	22	8	–
Total current assets		**57,817**	**53,769**
Non-current assets			
Investment in joint venture	6	6,554	4,982
Property, plant and equipment	14	22,002	18,144
Intangibles	15	170	–
Deferred tax asset		62	–
Total non-current assets		**28,788**	**23,126**
Total assets		**86,605**	**76,895**
LIABILITIES			
Current liabilities			
Trade and other payables	18	19,736	25,114
Loans and borrowings	19.2	10,552	11,462
Income tax payable	7(e)	1,785	290
Employee benefit liabilities	20	2,019	2,038
Lease liabilities	21	225	–
Contract liabilities	3.2	283	353
Total current liabilities		**34,600**	**39,257**
Non-current liabilities			
Loans and borrowings	19.2	**5,742**	–
Employee benefit liabilities	20	1,562	1,040
Lease liabilities	21	266	–
Deferred tax liabilities	7(d)	1,855	1,408
Total non-current liabilities		**9,425**	**2,448**
Total liabilities		**44,025**	**41,705**
NET ASSETS		**42,580**	**35,190**
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	23(a)	12,318	12,000
Accumulated profits	23(e)	18,527	13,536
Other reserves	23(f)	7,855	5,505
Parent interests		**38,700**	**31,041**
Non-controlling interests	23(d)	**3,880**	4,149
TOTAL EQUITY		**42,580**	**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 2(z). The 2019 figures have, however, been restated from what was reported in the 2019 Financial Report with $273k re-allocated from Income tax payable to Income tax receivable to ensure balances from different tax jurisdictions were not netted off.

Consolidated Statement of Cash Flows

for the year ended 30 June 2020

In thousands of dollars	Notes	Consolidated 30 June 2020	Consolidated 30 June 2019 restated*
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		120,067	104,010
Payments to suppliers and employees (inclusive of GST)		(119,438)	(102,076)
Interest received		42	16
Borrowing costs		(1,231)	(1,191)
Income tax paid		(1,441)	(1,887)
Net cash used in operating activities	10(b)	**(2,001)**	**(1,128)**
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	6
Payments for property, plant and equipment		(2,052)	(956)
Payments for intangible assets		(170)	-
Net cash used in investing activities		**(2,222)**	**(950)**
Cash flows from financing activities			
Increase in borrowings	10(d)	4,832	2,960
Dividends paid to non-controlling interests		(226)	(101)
Dividends paid to shareholders of the parent		(1,472)	(1,495)
Principal lease payments		(299)	
Net cash from financing activities		**2,835**	**1,364**
Net decrease in cash held		**(1,388)**	**(714)**
Net foreign exchange differences		17	172
Cash at the beginning of the financial year		2,043	2,585
Cash at the end of the financial year	**10(a)**	**672**	**2,043**

* 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 2(z).

Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Attributable to equity holders of the Company										
In thousands of dollars	Issued capital	Employee equity benefits reserve	Net gain/ (loss) on cash flow hedges	Foreign currency trans-lation reserve	Asset revalu-ation reserve	Equity settle-ment reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
1 July 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	–	–	–	–	–	–	–	3,682	3,682	749	4,431
Other comprehensive income	–	–	–	1,599	55	–	10	–	1,664	345	2,009
Depreciation transfer for building revaluation	–	–	–	–	(52)	–	–	52	–	–	–
Total comprehensive income	**–**	**–**	**–**	**1,599**	**3**	**–**	**10**	**3,734**	**5,346**	**1,094**	**6,440**
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to shareholders(Note 9)	–	–	–	–	–	–	–	(1,775)	(1,775)	–	(1,775)
Dividend Reinvestment Plan (Note 23 (b))	280	–	–	–	–	–	–	–	280	–	280
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(101)	(101)
Settlement of performance rights	–	(390)	–	–	–	–	–	–	(390)	–	(390)
Share based payments (Note 16)	–	429	–	–	–	–	–	–	429	–	429
At 30 June 2019	**12,000**	**348**	**–**	**1,085**	**4,103**	**6**	**(37)**	**13,536**	**31,041**	**4,149**	**35,190**
1 July 2019*	**12,000**	**348**	**–**	**1,085**	**4,103**	**6**	**(37)**	**13,536**	**31,041**	**4,149**	**35,190**
Profit for the period	–	–	–	–	–	–	–	6,736	6,736	92	6,828
Other comprehensive income	–	–	–	65	2,122	–	(56)	–	2,131	49	2,180
Depreciation transfer for building revaluation	–	–	–	–	(45)	–	–	45	–	–	–
Total comprehensive income	**–**	**–**	**–**	**65**	**2,077**	**–**	**(56)**	**6,781**	**8,867**	**141**	**9,008**
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to shareholders (Note 9)	–	–	–	–	–	–	–	(1,790)	(1,790)	–	(1,790)
Dividend Reinvestment Plan (Note 23 (b))	318	–	–	–	–	–	–	–	318	–	318
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(410)	(410)
Settlement of performance rights	–	(458)	–	–	–	310	–	–	(148)	–	(148)
Share based payments (Note 16)	–	702	–	–	–	–	–	–	702	–	702
Transferred to liability (Note 20)	–	(290)	–	–	–	–	–	–	(290)	–	(290)
At 30 June 2020	**12,318**	**302**	**–**	**1,150**	**6,180**	**316**	**(93)**	**18,527**	**38,700**	**3,880**	**42,580**

* 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 2(z).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

1. Corporate information

The Financial Report of Bisalloy Steel Group Limited and its subsidiaries ("the Group") for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the directors on 26 August 2020.

Bisalloy Steel Group Limited is a for profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. Summary of significant accounting policies

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a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report complies with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB). The financial report has also been prepared on a historical cost basis, except for land and buildings classified as property, plant and equipment and derivative financial instruments, which are measured at fair value.

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian Dollars has been rounded to the nearest thousand unless otherwise stated.

The consolidated financial statements provide comparative information in respect of the previous period.

Comparative information

Certain comparative information was amended in these financial statements to conform to the current year presentation. These amendments do not impact the group's financial result and do not have any significant impact on the Group's balance sheet.

b) Basis of consolidation and investments in joint venture

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

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. 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.

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 comprehensive income and within equity in the consolidated

2. Summary of significant accounting policies (continued)

statement of financial position, separately from the equity of the owners of the parent.

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group's investment in the joint venture is accounted for using the equity method and is not part of the consolidated Group.

Under the equity method, the investment in the joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the joint venture since the acquisition date. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss and other comprehensive income reflects the Group's share of the results of operations of the joint venture. When there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit of the joint venture is shown adjustments are made to bring the accounting policies in line with those of the Group.

In the application of the Group's accounting policies as described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

Significant accounting judgements

In applying the Group's accounting policies, management have not made any significant accounting judgements which affect the amounts recognised in the financial statements.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Property, plant and equipment

The Group measures the fair value of land buildings by reference to valuations performed at reporting date. The fair value is determined by an external valuer every three years, unless determined by Directors' valuation that the fair value has moved significantly or at the request of a finance provider. The valuation method is detailed in note 19.3.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees (including directors and other senior executives) by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using discounted cash flow models using the assumptions dealt with in note 2(n).

The Group measures the cost of cash-settled transactions with employees (including directors and other senior executives) by reference to the fair value at the reporting date. The fair value is determined by reference to the price of shares of the issuer.

d) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the Board of directors.

Operating segments have been identified and based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of production processes,
- type or class of customer for their products and services,
- methods use to distribute their products or provide their services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

e) Taxation

Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the

statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for Financial Reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries, associates or interests in joint ventures, when the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- in respect of deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, deferred tax asset are recognised only to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Bisalloy Steel Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2003.

The head entity, Bisalloy Steel Group Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the Group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, Bisalloy Steel Group Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused losses.

Assets or liabilities under tax funding arrangements with the tax consolidation entities are recognised as amounts receivable form or payable to other entities in the Group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

f) Cash and cash equivalents

Cash and short term deposits in the statement of financial position and the cash flow statement is comprised of cash at bank and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

g) Trade and other receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in note 2(p) Financial instruments.

h) Inventories

Raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials – Purchase cost is on a weighted average cost basis.

Work in progress and finished goods – Cost of direct materials, labour and an appropriate proportion of manufacturing overheads is based on normal operating capacity, but excluding borrowing costs.

2. Summary of significant accounting policies (continued)

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

i) Property, plant and equipment

Plant and equipment is stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if the recognition criteria are satisfied. All other repairs and maintenance are recognised in the profit or loss as incurred.

Land and buildings are measured at fair value using the revaluation model, less accumulated depreciation on buildings and any impairment losses recognised after the date of the revaluation. Valuations are performed every three years, or sooner should there be a significant change in market conditions or other market requirements such as in Indonesia where land and buildings are revalued every 12 months as a result of lending requirements, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

• Land	not depreciated
• Buildings	50 years
• Plant and equipment	3 – 10 years
• Leasehold improvements	5 – 10 years or lease life if shorter

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted prospectively if appropriate, at each financial year end.

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit or loss.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the period the item is derecognised.

j) Intangible assets

Recognition and measurement

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortization and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives and is generally recognised in profit or loss.

The estimated useful life for current periods for development costs is 3 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

k) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

l) Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

m) Employee benefits

Liabilities arising in respect of short-term employee benefits such as wages, salaries, annual leave and sick leave represent the amount which the entity has a present obligation to pay resulting from employees' services provided up to the balance date. Liabilities in respect of short-term employee benefits are measured at their nominal amounts.

Long-term employee benefit liabilities such as long service leave represent the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Long-term employee benefit liabilities are measured at their present values using corporate bond rates which most closely match the terms of maturity of the related liabilities.

In determining the employee benefit liabilities, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

The Group contributes to defined contribution superannuation plans, as well as an unfunded defined benefit plan in Indonesia and a defined benefit plan in Thailand.

n) Share-based payment transactions

Employees (including directors and other senior executives) of the Group receive remuneration in the form of a grant of Rights, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). There is currently a Share Rights Plan in place to provide these benefits. If the issue of shares in the Board's opinion does not achieve the desired outcome, then the Board may determine to satisfy the entitlement to Shares under a Vested Right in the form of cash rather than Shares. In recent years, there have been a number of instances in which settlement has taken the form of 50% equity and 50% cash ('cash-settled transactions').

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a discounted cash flow methodology. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the issuer ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

Cash-settled transactions

The cost of cash-settled transactions with employees is measured by reference to the fair value at the reporting date and ultimately at settlement. The fair value is determined by reference to the price of the shares of the issuer ('market conditions').

The cost of cash-settled transactions is recognised, together with a corresponding increase in liability, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for both equity-settled and cash-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. This estimate is formed based on the best available information at balance date. The statement of profit or loss and other comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for Rights that do not ultimately vest. Any Rights that do not become vested Rights, lapse.

The dilutive effect, if any, of outstanding Rights is reflected as additional share dilution in the computation of diluted earnings per share.

o) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense related to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

p) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow

2. Summary of significant accounting policies (continued)

characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in note 2(r) Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

This category is the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's financial assets at amortised cost include trade receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include derivative assets which are mandatorily required to be measured at fair value. Derivatives are classified as held for trading unless they are designated as effective hedging instruments.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when the rights to receive cash flows from the asset have expired.

Impairment

Further disclosures relating to impairment of financial assets are also provided in the following notes:

- Significant accounting judgements, estimates and assumptions — Note 2(c)
- Trade and other receivables — Note 2(g)

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. 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, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its 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. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

All loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 19.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

q) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), or GST equivalents, such as Value Added Tax, except:

- where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO), or equivalent foreign organisations. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses;
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r) Revenue from contracts with customers

The Group is in the business of manufacturing and selling quench and tempered steel plates. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has concluded that it is the principal in its revenue arrangements, as it controls the goods or services before transferring them to the customer.

Sale of goods

Revenue from the sale of steel plates is recognised at the point in time when control of the asset is transferred to the

2. Summary of significant accounting policies (continued)

customer, which is on delivery of the goods for domestic sales, on invoice for Bill and Hold sales and on bill of lading for export sales. Revenue from the services of shipping and handling is recognised over time as the service is performed. The normal credit terms are 30 to 90 days upon end of month invoiced.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g., shipping). In determining the transaction price for the sale of goods, the Group considers the effects of variable consideration, the existence of significant financing components, non-cash consideration, and consideration payable to the customer (if any).

(i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. Some contracts for the sale of steel plates provide customers with a right of return and early settlement discounts. The rights of return and early settlement discounts give rise to variable consideration.

Early Settlement Discounts

The Group provides early settlement discounts to certain customers if the payment for the sale of goods is made within a specified period of time. The discounts are offset against amounts payable by the customer. To estimate the variable consideration to which it will be entitled, the Group applies the 'expected value method' to estimate the settlement discounts that will be issued. This method best predicts the amount of variable consideration to which the Group will be entitled. The Group then applies the requirements on constraining estimates of variable consideration that can be included in the transaction price.

(ii) Significant financing component

Generally, the Group receives payment for the sale of goods between 30 to 90 days after the goods have been delivered. Should a significant financing component exist, the Group will apply the practical expedient in AASB 15. Using this, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

(iii) Non-cash consideration

The Group does not receive non-cash consideration for the sale of goods.

Contract balances

Contract Assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade Receivables

A receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due). Refer to accounting policies of financial assets in section p) Financial instruments – initial recognition and subsequent measurement.

Contract Liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

s) Other Income

Interest income

Interest income is recognised as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss and other comprehensive income.

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

t) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period in which they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Bisalloy Steel Group Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

u) Leases

The Group has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117 and Interpretation 4. For the details of accounting policies under AASB 117 and Interpretation 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in AASB 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

Group as a lessee

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.

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, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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 the 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 Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise of the following:

- Fixed payments, included in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes it assessment of where it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets in 'property, plant and equipment', the same line item as it presents underlying assets of the same nature that it owns and lease liabilities in 'lease liabilities' in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before 1 July 2019

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in an agreement.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in finance costs in the statement of profit or loss and other comprehensive income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and lease term, if there is

2. Summary of significant accounting policies (continued)

no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an operating expense in the statement of profit or loss and other comprehensive income on a straight-line basis over the lease term.

v) Foreign currency translation

The Group's consolidated financial statements are presented in Australian dollars (A$), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date.

All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currency of the foreign operations is the currency in circulation in the country they each reside in. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the Company's presentation currency (A$) at the rate of exchange ruling at balance date, and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the foreign currency translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

w) Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

x) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges: when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges: when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly forecast transaction or the foreign currency risk in an unrecognised firm commitment.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements (including the analysis of sources of hedge ineffectiveness and how the hedge ratio is determined). A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is 'an economic relationship' between the hedged item and the hedging instrument.
- The effect of credit risk does not 'dominate the value changes' that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Hedges that meet all the qualifying criteria for hedge accounting are accounted for as described below:

Cash Flow Hedges

The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the statement of profit or loss and other comprehensive income when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Fair Value Hedges

The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss and other comprehensive income as a finance cost.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedge financial instrument for which the effective interest method is used is amortised to the profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

y) Fair Value Measurement

The Group measure financial instruments such as derivatives at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability, or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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 the reporting period.

z) Changes in accounting standards

The accounting policies adopted in the preparation of the 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 has adopted AASB 16 Leases 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.

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

2. Summary of significant accounting policies (continued)

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.

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

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 expedient 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.

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 recognised at 30 June 2019	10
Less recognition exemption for leases with a lease term of 12 months or less	(53)
Lease liabilities recognised at 1 July 2019	385

z) Changes in accounting standards (continued)

- 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 recognise $484k of right-of-use assets and $491k of lease liabilities as at 30 June 2020. The lease liability as at 30 June 2020 also includes an existing finance lease liability of $3k.

Also, in relation to those leases under AASB 16, the Group has recognised depreciation and interest costs, instead of operating lease expense. During the year-ended 30 June 2020, the Group recognised $301k of depreciation and $21k of interest costs from these leases.

aa) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however the Group has not early adopted the new or amended standards in preparing these consolidated financial statements. No new standard is considered to have a material impact on the Group.

3. Revenue from contracts with customers

3.1 Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 30 June 2020		
In thousands of dollars	**Australia**	**Overseas**	**Total**
Performance obligation			
Sales of steel plates	86,754	17,834	104,588
Shipping and handling	5,815	316	6,131
Total revenue from contracts with customers	**92,569**	**18,150**	**110,719**
Timing of revenue recognition			
Goods transferred at a point in time	86,754	17,834	104,588
Services transferred over time	5,815	316	6,131
Total revenue from contracts with customers	**92,569**	**18,150**	**110,719**

	For the year ended 30 June 2019		
In thousands of dollars	**Australia**	**Overseas**	**Total**
Performance obligation			
Sales of steel plates	69,283	23,003	92,286
Shipping and handling	5,356	482	5,838
Total revenue from contracts with customers	**74,639**	**23,485**	**98,124**
Timing of revenue recognition			
Goods transferred at a point in time	69,283	23,003	92,286
Services transferred over time	5,356	482	5,838
Total revenue from contracts with customers	**74,639**	**23,485**	**98,124**

3.2 Contract balances

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Trade receivables (refer to note 11)	16,486	17,478
Contract assets	200	303
Contract liabilities	(283)	(353)

3. Revenue from contracts with customers (continued)

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days end of month.

Contract assets are initially recognised for revenue earned from shipping and handling services as receipt of consideration is conditional on delivery of the steel plates. Upon delivery of the steel plates, the amounts recognised as contract assets are reclassified to trade receivables.

Contract liabilities are recognised for shipping and handling services yet to be provided with respect to the steel plates invoiced and for any settlement discounts expected to be obtained by customers.

3.3 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 is recognised at the point in time when control of the asset is transferred to the customer and revenue from the services of shipping and handling is recognised over time as the service is performed.

As at 30 June 2020, the unsatisfied performance obligations per each segment as presented below.

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Shipping and handling	200	303
Total Revenue from contracts with customers	**200**	**303**

The remaining performance obligations are expected to be recognised within the next 12 months.

4. Operating Segments

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 are comprised 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 includes the co-operative joint venture Bisalloy Shangang Steel Plate (Shandong) Co. Limited in the People's Republic of China for the marketing, sale and distribution of quench & tempered steel plate.

Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period except as detailed below:

Inter-entity sales

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 30% (2019: 26%), 13% (2019: 10%) and 11% (2019: 9%) of total external revenue. All these customers are in the Australian operating segment.

	For the year ended 30 June 2020		
In thousands of dollars	**Australia**	**Overseas**	**Total**
Revenue:			
Sales to external customers	92,569	18,150	110,719
Inter-segment sales	6,315		6,315
Total segment revenue	98,884	18,150	117,034
Inter-segment elimination			(6,315)
Total consolidated revenue			110,719
Segment net operating profit after tax	**7,323**	**1,378**	**8,701**
Interest income	28	14	42
Interest expense	924	307	1,231
Depreciation	1,801	248	2,049
Share of profit of joint venture	–	1,653	1,653
Income tax expense	2,283	50	2,333
Segment assets	**68,786**	**19,706**	**88,492**
Capital expenditure	2,097	908	3,005
Segment liabilities	**31,476**	**6,015**	**37,491**

	For the year ended 30 June 2019		
In thousands of dollars	**Australia**	**Overseas**	**Total**
Revenue:			
Sales to external customers	74,639	23,485	98,124
Inter-segment sales	7,749	–	7,749
Total segment revenue	82,388	23,485	105,873
Inter-segment elimination			(7,749)
Total consolidated revenue			98,124
Segment net operating profit after tax	**1,753**	**2,287**	**4,040**
Interest income	–	16	16
Interest expense	963	228	1,191
Depreciation	1,645	136	1,781
Share of profit of joint venture	–	1,607	1,607
Income tax expense[1]	792	604	1,396
Segment assets	**58,589**	**20,599**	**79,188**
Capital expenditure	938	18	956
Segment liabilities	**33,753**	**4,310**	**38,063**

1 In the 2019 Financial Report, the intercompany eliminations were shown in the Overseas segment. This has now been removed. See table ii) on the next page which includes these eliminations in the reconciliation to profit before tax.

Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2020

4. Operating segments (continued)

In thousands of dollars	Consolidated Year ended 30 June 2020	Year ended 30 June 2019
i) Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	117,034	105,873
Inter-segment sales elimination	(6,315)	(7,749)
Total revenue	**110,719**	**98,124**

Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers.

In thousands of dollars	Consolidated Year ended 30 June 2020	Year ended 30 June 2019
Australia	80,397	59,146
Indonesia	18,022	23,372
Thailand	3,735	3,590
Other foreign countries	8,565	12,016
Total revenue	**110,719**	**98,124**

ii) Segment net operating profit after tax reconciliation to the statement of comprehensive income

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit after tax.

In thousands of dollars	Consolidated Year ended 30 June 2020	Year ended 30 June 2019
Reconciliation of segment net operating profit after tax to net profit before tax		
Segment net operating profit after tax	8,701	4,040
Intercompany eliminations (net of tax)	(1,873)	391
Income tax expense	2,189	1,246
Total net profit before tax per the statement of profit or loss	**9,017**	**5,677**

iii) Segment assets reconciliation to the statement of financial position

In assessing the segment performance on a monthly basis, the executive management committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude derivative assets, deferred tax assets, and pension assets.

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Reconciliation of segment operating assets to total assets		
Segment operating assets	88,492	79,188
Inter-segment eliminations	(2,453)	(2,566)
Deferred tax assets	62	–
Income tax receivable	496	273
Derivative assets	8	–
Total assets per the statement of financial position	**86,605**	**76,895**

The analysis of the location of non-current assets other than financial instruments, deferred tax assets and pension assets is as follows:

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Australia	25,480	20,580
Overseas	3,308	2,546
Total non-current assets	**28,788**	**23,126**

iv) Segment liabilities reconciliation to the statement of financial position

Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the Group operations. The executive management committee reviews the level of debt for each segment in the monthly meetings.

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Reconciliation of segment operating liabilities to total liabilities		
Segment operating liabilities	37,491	38,063
Inter-segment eliminations	(687)	(1,134)
Income tax payable	1,785	290
Employee benefit liabilities	3,581	3,078
Deferred tax liabilities	1,855	1,408
Total liabilities per the statement of financial position	**44,025**	**41,705**

5. Other income and expenses

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
(a) Other expenses / (income)		
Foreign exchange loss / (gain)	459	(48)
Other	(6)	(49)
	453	**(97)**
(b) Finance (income) and costs		
Bank interest and borrowing costs	1,231	1,191
Total finance costs	1,231	1,191
Bank interest	(42)	(16)
Total finance income	(42)	(16)
(c) Depreciation and costs of inventories included in statement of comprehensive income		
Depreciation*	2,049	1,781
Cost of inventories	69,028	62,478[1]
Provision for inventory	127	110
Cost of inventories recognised as an expense	**69,155**	**62,588**
(d) Employee benefits expense*		
Wages and salaries	14,013	12,924[2]
Superannuation costs	1,023	1,020
Expense of share-based payments	702	429
	15,738	**14,373**

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

1 The cost of inventories reported in the 2019 Financial Report was $71,236k. This included $8,758k of expenses within cost of sales that were not inventory costs. This has been updated.

2 In the 2019 Financial Report, this number incorrectly included $808k of superannuation expenses that was also included in the superannuation costs number.

6. Investment in a joint venture

Interests in the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

The financial statements of the joint venture are prepared on a December balance date, however, as the Group equity accounts for this, the necessary adjustments are made to align these to the Group's reporting period. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In July 2011, Bisalloy Steel Group Limited signed a Cooperative Joint Venture Agreement with Ji'nan Iron & Steel Co., Limited to establish Bisalloy Jigang Steel Plate (Shandong) Co., Limited ('the joint venture') for the marketing, sale and distribution of quench & tempered steel plate in the People's Republic of China and other international markets. The Group has joint control under the terms of the Joint Venture Agreement.

Under the terms of the JV, Bisalloy initially contributed US$1 million in capital and licenced its Q&T intellectual property and brand name to the joint venture to produce quench & tempered steel plate at Jinan's production facility in Shandong Province, PRC for an initial 33% ownership of the equity and a 50% share in the operating result of the joint venture.

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 increase was funded through distributable profits from 2017 and 2018 calendar years that would have otherwise been fully paid to Bisalloy as a dividend in November 2018 and November 2019.

Dividends of $0 (2019: $0) were received from the JV during the year.

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Joint venture's statement of financial position:		
Current assets, including cash of $2,541,566 (2019: $846,678)	23,917	14,915
Non-current assets	45	79
Current liabilities	(9,506)	(3,662)
Equity	**14,456**	**11,332**
Joint ventures revenue and profit:		
Revenue	61,896	52,656
Expenses	(57,330)	(48,372)
Finance (expense) / income	(189)	1
Profit before income tax	4,377	4,285
Income tax	(1,072)	(1,071)
Profit for the year	3,305	3,214
Group's share of profit	**1,653**	**1,607**
Carrying amount of the investment	**6,554**	**4,982**

The joint venture has no capital commitments or contingent liabilities at 30 June 2020 (2019: None).

7. Income tax

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
(a) Income Tax Expense		
The major components of income tax expense are:		
Income Statement		
Current income tax		
Current income tax charge	3,180	1,266
Adjustments in respect of current income tax of previous years	(466)	16
	2,714	**1,282**
Deferred income tax		
Relating to origination and reversal of temporary differences	(551)	218
Adjustments in respect of current income tax of previous years	26	(254)
	(525)	(36)
Income tax expense	**2,189**	**1,246**
The income tax expense for the period is disclosed as follows:		
Income tax expense attributable to continuing operations	2,189	1,246
	2,189	**1,246**
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of land and buildings and derivative assets	(910)	(42)
Income tax expense reported in equity	**(910)**	**(42)**

(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
Accounting profit before tax	9,017	5,677
At the Group's statutory income tax rate of 30% (2019: 30%)	2,705	1,703
Consolidation adjustment to prior year CFC temporary tax difference	–	(271)
Income assessable for tax purposes	91	372
Expenditure not allowable for tax purposes	399	210
Foreign tax credits allowed	(83)	(87)
De-recognition of foreign income tax credits	121	–
Foreign tax credits allowed	(83)	(87)
Income not assessable for tax purposes	(23)	(54)
Share of profit of equity-accounted investees reported net of tax	(496)	(482)
Effect of tax rates in foreign jurisdictions	(59)	(161)
Adjustments in respect of current income tax of previous years	(466)	16
Income tax expense on pre-tax net profit	**2,189**	**1,246**

	Consolidated			
	Net DTA		Net DTL	
	Year ended 30 June 2020 $'000	Year ended 30 June 2019 $'000	Year ended 30 June 2020 $'000	Year ended 30 June 2019 $'000
(d) Deferred tax assets (DTA) and liabilities (DTL)				
The balance comprises of temporary differences attributable to:				
Property, plant and equipment	–	–	(3,355)	(2,385)
Employee entitlement provisions	47	–	881	900
Other provisions and accruals	15	–	499	202
Inventory	–	–	223	82
Other	–	–	(101)	(206)
Derivatives	–	–	(2)	–
Deferred tax assets and liabilities reflected in the balance sheet	**62**	**–**	**(1,855)**	**(1,408)**
Movements				
Opening balance at 1 July:	–	–	(1,408)	(1,486)
Charged / (credited) to profit or loss	62	–	463	36
Charged / (credited) to other comprehensive income	–	–	(910)	42
Closing balance at 30 June:	**62**	**–**	**(1,855)**	**(1,408)**

Of the DTA and DTL's recognised for the Consolidated entity the following amounts are attributed to the Thailand and Indonesian tax jurisdiction at 30 June 2020, the balance relates to the Australian tax jurisdiction:

	Net DTA / (DTL)	
	Thailand 2020 $'000	Indonesia 2019 $'000
The balance comprises of temporary differences attributable to:		
Property, plant and equipment	–	(463)
Employee entitlement provisions	47	186
Other provisions and accruals	15	146
Deferred tax assets and liabilities reflected in the balance sheet	**62**	**(131)**

(e) Current income tax at 30 June 2020 relates to the following:

The current tax payable for the Consolidated entity of $1,785,399 (2019: $290,609) represents the amount of income tax payable in respect of the current and prior periods. The current tax payable of the Consolidated entity is made up of $1,730,499 payable in the Australian jurisdiction and $54,900 in the Thailand tax jurisdiction.

The current tax receivable for the Consolidated entity of $495,931 (2019: $273,302) represents the amount of income tax receivable in respect of the current and prior periods. The amount of current tax receivable is entirely attributed to the Indonesian tax jurisdiction.

The Consolidated entity liability includes both the income tax payable by all members of the tax consolidated group and those members outside the tax consolidated group and outside the Australian tax jurisdiction.

(f) Unrecognised temporary differences

At 30 June 2020, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2019: Nil).

7. Income tax (continued)

(g) Tax consolidation

(i) Members of the tax consolidation group and the tax sharing arrangement

Effective 1 July 2003, for the purposes of income taxation, the Company and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement. This arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of a default is remote. The head entity of the group is Bisalloy Steel Group Limited.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The allocation of taxes under the tax funding agreement is recognised under the separate tax payer within a group approach. Allocations under the tax funding agreement are made on a semi-annual basis.

The amount that is allocated under the tax funding agreement is done so in accordance with a method permitted by UIG1052 and is recognised by way of an increase or decrease in the subsidiaries intercompany accounts.

8. Earnings per share (EPS)

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Net profit for the period	6,828	4,431
Net profit attributable to non-controlling interest holders	(92)	(749)
Net profit attributable to equity holders of the parent (used in calculating basic and diluted EPS)	**6,736**	**3,682**

	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	45,168	44,615
Effects of dilution:		
Performance rights	1,836	2,057
Adjusted weighted average number of ordinary shares for diluted earnings per share	47,004	46,672
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	**15**	**43**

9. Dividends paid or proposed

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
(a) Dividends paid during the year		
Interim	–	–
Final	1,790	1,775
	1,790	**1,775**
(b) Proposed dividend (not recognised as a liability as at 30 June)		
Final dividend for 2020: 5.0 cents per share (2019: 4.0 cents per share)	**2,271**	**1,790**
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	4,832	5,071
Franking (debits)/credits that will arise from the payment of tax as at the end of the financial year	1,730	(273)
Franking debits that will arise from the payment of dividends as at the end of the financial year	(973)	(784)
	5,589	**4,014**

10. Cash and cash equivalents

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
(a) Reconciliation of cash		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank	669	2,040
Cash at hand	3	3
Total	**672**	**2,043**
(b) Reconciliation of net profit after income tax to net cash provided by operations		
Net profit after tax	6,828	4,431
Non-cash items		
Depreciation and amortisation	2,049	1,781
Share-based payments expense	702	429
Provision for stock obsolescence	127	110
Profit on sale of fixed assets	–	(6)
Share of profit of a joint venture	(1,653)	(1,607)
Net fair value change on derivatives	(8)	–
Decrease/(increase) in foreign currency translation	(170)	927
Change in operating assets and liabilities		
Decrease/(increase) in receivables and other assets	834	1,198
(Increase)/decrease in inventories	(6,365)	(7,748)
(Decrease)/increase in tax assets and liabilities	747	(637)
Decrease/(increase) in other financial assets	–	–
(Increase)/decrease in prepayments	175	(599)
Increase/(decrease) in trade creditors	(5,316)	1,134
(Decrease)/increase in employee benefit liabilities	505	(151)
Settlement of share rights	(456)	(390)
Net cash used in operating activities	**(2,001)**	**(1,128)**

(c) Disclosure of financing facilities

Refer note 19.2

(d) Reconciliation of movements of liabilities to cash flows arising from financing activities

In thousands of dollars	Year ended 30 June 2020	Year ended 30 June 2019
Changes from financing cash flows		
Proceeds from loans and borrowings	5,298	3,426
Repayment of borrowings	(466)	(466)
Net increase in borrowings	**4,832**	**2,960**

11. Trade and other receivables

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
Current		
Trade receivables	16,761	17,714
Less: Allowance for expected credit losses	(275)	(236)
	16,486	**17,478**
Other	257	211
Goods and services tax	288	114
	545	**325**
	17,031	**17,803**

Trade receivables are non-interest bearing and are generally on 30-90 day terms. Refer to note 19.3 for more information of the allowance for expected credit losses.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

The Group has a credit insurance policy in place that covers 90% of the sales value to Australian and Indonesian eligible customers.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 19.3.

12. Inventories

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
Current		
Raw materials	3,121	3,840
Finished goods	35,107	28,150
	38,228	**31,990**

13. Other current assets

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
Current		
Prepayments	1,182	1,357
	1,182	**1,357**

14. Property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

In thousands of dollars	Freehold land and buildings	Leasehold improvements	Plant and equipment	Total
Consolidated				
Year ended 30 June 2020				
At 1 July 2019, net of accumulated depreciation and impairment	10,936	–	7,208	18,144
Additions	800	–	2,036	2,836
Disposals	–	–	–	–
Revaluation adjustment	3,032	–	–	3,032
Depreciation and amortisation charge for the year	(349)	–	(1,700)	(2,049)
Exchange adjustment	35	–	4	39
At 30 June 2020, net of accumulated depreciation and impairment	**14,454**	**–**	**7,548**	**22,002**
At 1 July 2019				
Cost or fair value	12,953	34	22,717	35,704
Accumulated depreciation and impairment	(2,017)	(34)	(15,509)	(17,560)
Net carrying value	**10,936**	**–**	**7,208**	**18,144**
At 30 June 2020				
Cost or fair value	15,081	34	24,853	39,968
Accumulated depreciation and impairment	(627)	(34)	(17,305)	(17,966)
Net carrying value	**14,454**	**–**	**7,548**	**22,002**

In thousands of dollars	Freehold land and buildings	Leasehold improvements	Plant and equipment	Total
Consolidated				
Year ended 30 June 2019[1]				
At 1 July 2018, net of accumulated depreciation and impairment	10,407	–	8,277	18,684
Additions	457	–	499	956
Disposals	–	–	–	–
Revaluation adjustment	121	–	–	121
Depreciation and amortisation charge for the year	(200)	–	(1,581)	(1,781)
Exchange adjustment	151	–	13	164
At 30 June 2019, net of accumulated depreciation and impairment	**10,936**	**–**	**7,208**	**18,144**
At 1 July 2018				
Cost or fair value	12,237	34	22,230	34,501
Accumulated depreciation and impairment	(1,830)	(34)	(13,953)	(15,817)
Net carrying value	**10,407**	**–**	**8,277**	**18,684**
At 30 June 2019				
Cost or fair value	12,953	34	22,717	35,704
Accumulated depreciation and impairment	(2,017)	(34)	(15,509)	(17,560)
Net carrying value	**10,936**	**–**	**7,208**	**18,144**

1 The 2019 figures have been restated from what was reported in the 2019 Financial Report with $22k of net carrying value re-allocated from Leasehold improvements to Freehold land & buildings. These costs were improvements made to Australia's land and buildings.

14. Property, plant and equipment (continued)

(b) Revaluation of freehold land and freehold buildings

Freehold land and freehold buildings are required by the Group to be externally revalued every three years at minimum. In addition to this, Indonesian freehold land and freehold buildings are required to be externally revalued every 12 months in order to meet lending requirements stipulated by their finance provider.

Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties.

In 2019, the Group engaged KJPP Pung's Zulkarnain Dan Rekan, accredited independent valuers to determine the fair value of its Indonesian land and buildings. The effective date of the valuation was 30 June 2019 and fair value was determined as $2,375,572.

In 2020, the Group engaged Herron Todd White, accredited independent valuers to determine the fair value of its Australian land and buildings respectively. The effective date of the valuation was 30 June 2020 and fair value was determined as $11,800,000.

There has been no change in the valuation technique in current or prior period.

For June 2020, it was determined by the finance provider and supported by the directors that there was no significant change in fair value for its Indonesian land and buildings.

(c) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment

If land and buildings were measured using the cost model the carrying amounts would be as follows:

	Consolidated	
In thousands of dollars	**2020 Freehold land and buildings**	**2019 Freehold land and buildings**
Cost	6,787	5,990
Accumulated depreciation and impairment	(1,980)	(1,622)
Net carrying amount	**4,807**	**4,368**

(d) Leased assets

'Property, plant and equipment' comprise of owned and leased assets that do not meet the definition of investment property.

	Consolidated	
In thousands of dollars	**Note**	**2020**
Property, plant and equipment owned		21,518
Right-of-use assets		484
	14(a)	**22,002**

Right-of-use assets in each category is shown below:

In thousands of dollars	Freehold land and buildings	Leasehold improvements	Plant and equipment	Total
Balance at 1 July 2019	60	–	315	375
Additions	337	–	71	408
Depreciation charge for the year	(119)	–	(182)	(301)
Exchange adjustment	2	–	–	2
Balance at 30 June 2020	**280**	**–**	**204**	**484**

15. Intangible Assets

In thousands of dollars	Consolidated Year ended 30 June 2020	Year ended 30 June 2019
Cost	170	–
Accumulated depreciation and impairment	–	–
Net carrying amount	**170**	**–**

The Group is currently investing in the further development of their existing enterprise resource planning system. These developments are scheduled to be completed by February 2021.

16. Share-based payments plans

Long Term Incentives (LTI) Plan

The LTI program has been designed to align the remuneration received by executive directors and senior managers with the creation of shareholder wealth.

Consequently LTI grants are only made to executives who are in a position to influence shareholder wealth and thus have the opportunity to influence the company's performance against the relevant long term performance hurdles.

Structure

At the 2019 Annual General Meeting, an LTI plan was renewed for LTI grants to executives in the form of share rights.

These rights are granted in two equal parts. The first part is based on retention and requires the holder remain an employee for three years from grant date. The second part is based on delivering superior long-term performance as measured by Return on Equity ("ROE"), with each grant of rights divided into three equal tranches. For each tranche, actual ROE is measured against a budget ROE and a stretch ROE as determined annually by the Board in respect of the forthcoming year. The proportion of the rights which vest depend on where within this range the Group performs, with 100% vesting on achieving the stretch ROE and no rights vesting if actual ROE is less than 90% of the budgeted ROE. For the 2020 year the stretch ROE was set at 115% of the budget ROE. Any rights to which the employee may become entitled on achieving the performance criteria, are still subject to the three year retention criteria before they can vest.

Any share rights which do not vest, as a result of the relevant performance condition not being satisfied, lapse. If the holder leaves the business, the unvested rights lapse on the leaving date unless the Board determines otherwise. In the event of a change in control of the Group, the vesting date will generally be brought forward to the date of change of control and share rights will vest subject to performance over this shortened period, subject to ultimate Board discretion.

Once vested a holder may exercise their share rights and be allocated a fully paid ordinary share of Bisalloy at no cost to the employee or the equivalent in cash at the Board's discretion.

During the 30 June 2020 financial year, 400,000 share rights were awarded to executives under this scheme. In recent years, there have been a number of instances in which settlement has taken the form of 50% equity and 50% cash. As a result, the accounting treatment at 30 June 2020 has been updated to reflect this, with $290k being reclassified from Employee equity benefits reserve to Employee benefit liabilities.

The share rights have been valued by Mercer (Australia) Pty Ltd. A fair value expressed as a value per share right has been determined as at the grant date for each grant of rights. The rights have been valued according to a discounted cash flow (DCF) methodology. The share price at valuation date and a 3.9% dividend yield for Grant 6, a 7.7% dividend yield for Grant 7, a 5.5% dividend yield for Grant 8, a 5.1% dividend yield for Grants 9 and 10, a 4.5% dividend yield for Grant 11 and a 3.9% dividend yield for Grants 12 and 13 (based on historic and future estimates at the time) formed the basis of the valuation. Refer to note 2(n) for further details on the valuation methodology.

The following table lists the valuation outputs for outstanding grants as at 30 June 2020:

	Expiry term of three years Value of one right	Proportion of rights that are outstanding
Grant 9	$0.82	83.33%
Grant 11	$0.79	83.33%
Grant 12	$1.10	83.33%
Grant 13	$0.97	100.00%

16. Share-based payments plans (continued)

The fair value of the performance rights granted is brought to account as an expense in the profit and loss over the three year vesting period. The following table shows the number of rights outstanding during the year and in the previous year. The expense recognised in the statement of comprehensive income in relation to share based payments is disclosed in note 5(d).

	Grant 6 Vested	Grant 8 Unvested	Grant 9 Unvested	Grant 10 Unvested	Grant 11 Unvested	Grant 12 Unvested	Grant 13 Unvested	Total
Grant date	26 Feb 2016	19 Oct 2016	16 Apr 2018	15 Jun 2018	05 Nov 2018	26 Feb 2019	11 Nov 2019	
Expiry date	25 Feb 2019	18 Oct 2019	30 Jun 2021	30 Jun 2021	04 Nov 2021	25 Feb 2022	10 Nov 2022	
Exercise price	$1.11	$1.11	$0.00	$0.00	$0.00	$0.00	$0.00	
Balance at 30 June 2018	**822,476**	**328 ,985**	**400,000**	**100,000**	**–**	**–**	**–**	**1,651,461**
New grants in the year	–	–	–	–	200,000	1,000,000	–	1,200,000
Exercised in the year	(327,905)	–	–	–	–	–	–	(327,905)
Forfeited during the year	(166,667)	(66,667)	(66,667)	(16,667)	(33,333)	(166,667)	–	(516,668)
Balance at 30 June 2019	**327,904**	**262,318**	**333,333**	**83,333**	**166,667**	**833,333**	**–**	**2,006,888**
Exercisable at 30 June 2019	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
New grants in the year	–	–	–	–	–	–	400,000	400,000
Exercised in the year	(327,904)	(163,948)	–	–	–	–	–	(491,852)
Forfeited during the year	–	(98,370)	–	(83,333)	–	–	–	(181,703)
Balance at 30 June 2020	**–**	**–**	**333,333**	**–**	**166,667**	**833,333**	**400,000**	**1,733,333**
Exercisable at 30 June 2020	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**

The weighted average remaining contractual life for the share rights outstanding as at 30 June 2020 is 1.70 years (2019: 1.77 years).

Share Rights Plan

The net amount entered in the Profit or Loss in relation to the above for the current year was a debit of $702,187 (2019: $428,698).

17. Pensions and other post-employment benefit plans

Superannuation commitments

The Group contributes to externally managed defined contribution superannuation plans, as well as an unfunded defined benefit plan in Indonesia and a defined benefit plan in Thailand. The contributions are defined by the terms of each individual employee's employment.

18. Trade and other payables

In thousands of dollars	Consolidated Year ended 30 June 2020	 Year ended 30 June 2019
Current		
Trade payables	16,764	23,296
Other payables and accruals	2,972	1,818
	19,736	**25,114**

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Other payables and accruals are non-interest bearing and have an average term of three months.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 19.3.

19. Financial assets and financial liabilities

19.1 Financial assets

In thousands of dollars	Consolidated Year ended 30 June 2020	 Year ended 30 June 2019
Financial assets at amortised cost		
Trade receivables (note 11)	16,486	17,478
Total financial assets	**16,486**	**17,478**
Total current	16,486	17,478
Total non-current	–	–

19.2 Financial liabilities

Interest-bearing loans and borrowings

In thousands of dollars	Consolidated Year ended 30 June 2020	 Year ended 30 June 2019
Current		
Borrowings secured by fixed and floating charges	10,552	11,462
Non-current		
Borrowings secured by fixed and floating charges	5,742	–

Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 19.3.

19. Financial assets and financial liabilities (continued)

Assets pledged as security

The fixed and floating charge covers all current and future assets of the Bisalloy Closed Group (note 25).

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities		
– invoice finance facility (incl. bank guarantees) (i)	12,000	10,000
– bank bill facility (i)	6,884	6,068
– trade finance facility (i)	9,000	6,000
– Bisalloy Thailand facility (ii)	141	139
– PT Bima facility (iii)	5,282	3,666
	33,307	**25,873**
Facilities used at reporting date		
Current		
– invoice finance facility	1,855	–
– trade finance facility	4,817	4,554
– PT Bima facility	3,880	2,640
– bank bill facility	–	4,268
	10,552	**11,462**
Non–current		
– bank bill facility	5,742	–
	5,742	**–**
Total facilities used at reporting date	**16,294**	**11,462**
Facilities unused at reporting date		
- invoice finance facility (incl. bank guarantees)	10,145	10,000
- bank bill facility	1,142	1,800
- trade finance facility	4,183	1,446
- Bisalloy Thailand facility	141	139
- PT Bima facility	1,402	1,026
Total facilities unused at reporting date	**17,013**	**14,411**

(i) 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 $5.7m drawn, and reducing by $116,500 per quarter over the term, an invoice finance facility of up to $12m (drawn to $1.9m) and an trade finance facility of up to $9m (drawn to $4.8m).

The facility is secured by a fixed and floating charge over all assets of the Closed Group. The facility is subject to usual provisions such as negative covenants and various undertakings, including compliance with an equity ratio covenant, a leverage ratio covenant and an interest coverage ratio. The bank bill facility has a two-year term, whilst the other facilities are ongoing. The drawn invoice finance facility balance is limited to the value of the available collateral being eligible receivables and fluctuates daily. The facility is variable rate linked to an interest rate plus a fixed margin. The average variable interest rate for the year is 4.28% (2019: 5.19%).

ii) The Group had a THB 3m bank overdraft facility available to its Thailand based subsidiary as at 30 June 2020. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.

iii) The Group has a IDR 44.5billion revolver facility as well as a USD$0.5m Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to $3.9m and secured by a charge over the assets of the Indonesian subsidiary and mature on 30 September 2020.

Other financial liabilities

	Consolidated	
In thousands of dollars	Year ended 30 June 2020	Year ended 30 June 2019
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables (note 18)	19,736	25,114
Total financial assets	**19,736**	**25,114**
Total current	19,736	25,114
Total non-current	–	–

19.3 Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the Board.

The Board has established an Audit and Risk Committee comprising non-executive directors, whose meetings are also attended by the executive directors. In addition sub-committees are convened as appropriate in response to issues and risks identified by the Board, and the sub-committee further examines the issue and reports back to the Board.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of Board approved operating plans and budgets and Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, matters such as environmental issues and concerns and occupational health and safety.
- The Board reviews financial risks such as the Group's liquidity, currency, interest rate and credit policies and exposures and monitors management's actions to ensure they are in line with Group policy.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a narrow customer base and has the potential to be exposed to credit risk on a specific customer.

A credit policy is in place, the objective of which is:

- To ensure all credit worthiness checks are carried out prior to opening new credit accounts and appropriate authorisations obtained;
- To ensure the approved credit limit is appropriate to the inherent risk of trading with any particular customer;
- To ensure all orders are converted into cash within trading terms;
- To minimise late payments and any potential bad debts through the constant application of sound commercial debtor management on a continuing basis;

The credit policy requires credit insurance to be taken out against customers where the concentration risk of trading with any specific customer is assessed as high.

Goods are sold subject to retention of title clauses that permit the Group to reclaim stock from a customer up to the value of monies owed in the event:

- Official Manager
- Receiver and Manager
- Administrator
- Liquidator

or similar business administration is appointed to the customer's business.

The Group performs an impairment analysis at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. geographical region and coverage by insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. The maximum exposure to credit risk for these financial assets is limited to their carrying amounts as disclosed in note 11. The Group does not hold collateral as security.

19. Financial assets and financial liabilities (continued)

The Group evaluates the concentration of risk with respect to trade receivables as low, as its customers are located in several jurisdictions and industries and operate in largely independent markets.

The Group has for a number of years had credit insurance in place for Australian sales, however in July 2018 the Group began obtaining credit insurance for its Indonesian local sales.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

30 June 2020

	Trade Receivables						
In thousands of dollars	**Current**	**<=30 days**	**30-60 days**	**61-90 days**	**>91 days**	**>91 days***	**Total**
Expected credit loss rate	0.01%	0.12%	0.60%	2.67%	6.06%	90.91%	**1.64%**
Estimated total gross carrying amount at default	14,569	629	436	252	627	248	**16,761**
Expected Credit Loss	1	1	3	7	38	225	**275**

30 June 2019

	Trade Receivables						
In thousands of dollars	**Current**	**<=30 days**	**30-60 days**	**61-90 days**	**>91 days**	**>91 days***	**Total**
Expected credit loss rate	0.01%	0.04%	0.59%	1.03%	0.85%	100%	**1.33%**
Estimated total gross carrying amount at default	14,233	2,536	175	129	412	229	**17,714**
Expected Credit Loss	2	1	1	1	2	229	**236**

*Indonesian receivables with no insurance coverage

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due without incurring unacceptable losses or risking damaging the Group's reputation.

On 24 January the Group entered into a new facility agreement comprising a $7m bank bill facility (increased from $5.8m), a $12m invoice finance facility (increased from $10m) and a $9m trade finance facility (increased from $6m). The drawn invoice finance facility balance is limited to the value of the available collateral being eligible receivables, and fluctuates daily. Eligible trade receivables, eligible inventory, plant and equipment and real property constitute available collateral. At reporting date, the carrying amount of assets pledged as collateral was $65.0m (2019: $55.1m).

In addition to the eligible collateral, the Group has several general and financial undertakings which it must comply with including an Equity Ratio covenant, a Leverage Ratio covenant and an Interest Cover Ratio covenant.

Due to the nature of the facility, cashflow is managed on a daily basis, comparing actual against forecast collateral, receipts and payments. Each month a complete review is undertaken of the projected daily cashflow.

Contractual maturity of financial liabilities

The table below reflects all contractually fixed payments for settlement, repayments and interest resulting from recognised financial liabilities, including derivative financial instruments as at 30 June 2020.

For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2020.

	Consolidated	
In thousands of dollars	**2020**	**2019**
6 months or less	30,947	30,537
6-12 months	397	6,840
1-5 years	6,125	–
Over 5 years	–	–
	37,469	**37,377**

Management analysis of financial assets and liabilities

The table below is based on management expectations of the timing of cash inflows and outflows from its financial assets and liabilities which reflect a balanced view of cash inflows and outflows. Net settled derivatives comprise forward exchange contracts that are used to hedge future sales and purchase commitments.

Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., inventories and trade receivables). These assets are considered in the Group's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its operation that reflects expectations of management of expected settlement of financial assets and liabilities.

Year ended 30 June 2020

In thousands of dollars	<=6 months	6-12 months	1-5 years	>5 years	Total
Consolidated					
Financial assets					
Cash and cash equivalents	672	–	–	–	672
Trade and other receivables	17,031	–	–	–	17,031
Contract assets	200	–	–	–	200
Derivatives – gross settled					
Inflows	8	–	–	–	8
Outflows	–	–	–	–	–
	17,911	**–**	**–**	**–**	**17,911**
Financial liabilities					
Trade and other payables	19,552	184	–	–	19,736
Interest bearing loans and borrowings	10,974	103	5,845	–	16,922
Contract liabilities	283	–	–	–	283
Lease liabilities	138	110	280	–	528
Derivatives – gross settled	–	–	–	–	–
Inflows	–	–	–	–	–
Outflows	–	–	–	–	–
	30,947	**397**	**6,125**	**–**	**37,469**
Net inflow/(outflow)	**(13,036)**	**(397)**	**(6,125)**	**–**	**(19,558)**

19. Financial assets and financial liabilities (continued)

Year ended 30 June 2019

In thousands of dollars	<=6 months	6-12 months	1-5 years	>5 years	Total
Consolidated					
Financial assets					
Cash and cash equivalents	2,043	–	–	–	2,043
Trade and other receivables	17,803	–	–	–	17,803
Contract assets	304	–	–	–	304
Derivatives – gross settled					
Inflows	–	–	–	–	–
Outflows	–	–	–	–	–
	20,150	**–**	**–**	**–**	**20,150**
Financial liabilities					
Trade and other payables	25,114	–	–	–	25,114
Interest bearing loans and borrowings	5,070	6,840	–	–	11,910
Contract liabilities	353	–	–	–	353
Derivatives – gross settled					
Inflows	–	–	–	–	–
Outflows	–	–	–	–	–
	30,537	**6,840**	**–**	**–**	**37,377**
Net inflow/(outflow)	**(10,388)**	**(6,840)**	**–**	**–**	**(17,228)**

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries.

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum twelve-month period. The Group generally adopts a policy of covering exchange exposures related to purchases and sales of product at the time they are incurred or committed.

Throughout the year the foreign exchange risk has been actively managed through periodic risk assessments. The objective of these assessments is to stratify foreign exchange exposure into risk categories and enable available hedge facilities to be applied to those assessed as higher risk.

Risk assessments take into account macroeconomic lead indicators such as interest rate differentials, inflation rate differentials and externally published market analytical data to determine the likelihood of movement in exchange rates. The likelihood is applied to the Group's foreign currency exposure to determine financial impact on a sensitivity basis.

Sensitivity analysis

The following table summarises the sensitivity of financial instruments held at balance date to possible movements in the exchange rate of the Australian dollar to foreign currencies, with all other variables held constant. The +10%/-10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 year period, along with consideration for current market trends.

	Post tax profit HIgher / (lower)		Effect on equity HIgher / (lower)	
In thousands of dollars	**2020**	**2019**	**2020**	**2019**
Sensitivity to USD				
Consolidated				
AUD/USD +10%	(119)	(164)	–	–
AUD/USD –10%	146	201	–	–

Interest rate risk

The Group's borrowing facility has a variable interest rate attached to it. The Group monitors the underlying interest rate outlook and considers the use of interest rate derivatives (principally swaps) to manage the exposure to interest rate fluctuations.

The Group's exposure to market interest rates relates primarily to the Group's interest bearing borrowings. At 30 June 2020, the Group had the following mix of financial assets and liabilities exposed to variable interest rates that are not designated in cash flow hedges.

	Consolidated	
In thousands of dollars	**2020**	**2019**
Financial Assets		
Cash and cash equivalents less cash on hand	669	2,040
Financial Liabilities		
Bank loans	(16,294)	(11,462)
Net exposure	**(15,625)**	**(9,422)**

Interest rate sensitivity analysis

The following table summarises the sensitivity of the fair value of financial instruments held at the balance date following a movement in interest rates, with all other variables held constant. The +100/-100 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period.

	Post tax profit HIgher / (lower)		Other comprehensive income HIgher / (lower)	
In thousands of dollars	**2020**	**2019**	**2020**	**2019**
Consolidated				
+1% (100 basis points)	(109)	(66)	-	-
- 1% (100 basis points)	109	66	-	-

Commodity risk

The Group does not hedge for movements in the underlying price of product but manages commodity risk within the parameters of the markets within which it trades.

19. Financial assets and financial liabilities (continued)

Assets/Liabilities Measured at Fair value

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.

At 30 June 2020 the fair values of land, buildings and improvements were determined by reference to valuations performed in June 2020 (Note 14 (b)). For properties not subject to independent valuations, fair value was determined by Directors' valuation.

	Year ended 30 June 2020				Year ended 30 June 2019			
In thousands of dollars	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total
Consolidated								
Assets								
Land & Buildings	–	14,176	–	14,176	–	10,726	–	10,726
Foreign exchange contracts	–	8	–	8	–	–	–	–
	–	**14,184**	**–**	**14,184**	**–**	**10,726**	**–**	**10,726**
Liabilities								
Foreign exchange contracts	–	–	–	–	–	–	–	–
	–	**–**	**–**	**–**	**–**	**–**	**–**	**–**

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Transfer between categories

There were no transfers between levels during the year. The fair value of loans and borrowings approximates the carrying value. The 2019 figures have been restated from what was reported in the 2019 financial report with the valuation technique for Land & Buildings re-allocated from Level 3 to Level 2. This now reflects the valuation technique used to determine the fair values, which was calculated using market observable inputs.

20. Employee benefit liabilities

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
Current		
Employee entitlements	1,996	2,020
Defined benefit plan	23	18
	2,019	**2,038**
Non- current		
Employee entitlements	317	304
Share based payment	290	–
Defined benefit plan	955	736
	1,562	**1,040**

The Group has an unfunded defined benefit plan in Indonesia and a defined benefit plan in Thailand. The Indonesian plan provides severance and service benefits pursuant to Indonesian Labor Law No. 13/2003 and Company Regulation.

The principal assumptions used in determining the obligation under the defined benefit plan are shown below:

	2020 %	2019 %
Discount rate	7.5	8.0
Future salary increases	8.0	8.0

21. Lease liabilities

a) Maturity analysis of contractual cash flows

	Consolidated		
	For the year ended 30 June 2020		
In thousands of dollars	Future minimum lease paymens	Interest	Present value of minimum lease payments
Less than one year	248	(23)	225
Between one and five years	280	(14)	266
More than five years	–	–	–
	528	**(37)**	**491**

b) Amounts recognised in profit or loss

In thousands of dollars	Consolidated Year ended 30 June 2020
Interest on lease liabilities	21
Expenses relating to short-term leases or low-value assets	122
	143

22. Derivative financial instruments

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
Current Assets		
Forward currency contracts – Fair value hedges	8	–
	8	**–**

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates.

Forward currency contracts

Inventory purchases

During the year ended 30 June 2020, in order to protect against exchange rate movements and to manage the inventory costing process, the Group had entered into forward exchange contracts to purchase $EUR 468k (2019: $EUR 0) and $AUD 2.4m (2019: $AUD 1.5m). These contracts hedged highly probable forecasted purchases and they were timed to mature when payments are scheduled to be made.

Fair value hedges

As at balance date, the details of outstanding contracts in respect of fair value hedges were:

			Average exchange rate	
In thousands of dollars	**30 June 2020**	**30 June 2019**	**30 June 2020**	**30 June 2019**
Buy EUR$ Sell AUD $	6	–	0.6155	–
Buy AUD$ Sell THB $	2	–	21.3150	–

23. Contributed equity and reserves

In thousands of dollars	Consolidated Year ended 30 June 2020	Consolidated Year ended 30 June 2019
(a) Ordinary shares, issued and fully paid	12,318	12,000

Fully paid ordinary shares carry one vote per share and carry the right to dividends. Shares have no par value.

In thousands of dollars	Number of shares	2020 $'000	Number of shares	2019 $'000
(b) Movements in shares on issue				
Balance at 1 July	44,751,957	12,000	44,387,297	11,720
New shares issued under Dividend Reinvestment Plan	305,355	318	364,660	280
Exercise of performance rights	360,695	–	–	–
Balance at 30 June	**45,418,007**	**12,318**	**44,751,957**	**12,000**

(c) Capital management

When managing capital, the Group's objective is to maintain optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that delivers the lowest cost of capital available to its operations.

The Group adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the economic conditions change, the Group may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2020 and 2019.

The Group monitors capital through the gearing ratio (net debt/ total equity plus net debt) and currently targets a gearing ratio of between 10% and 35%. The Group includes within net debt interest bearing loans and borrowings less cash and cash equivalents. The gearing ratios based on continuing operations at 30 June 2020 and 2019 were as follows:

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
Total borrowings	16,294	11,462
Less cash and cash equivalents	(672)	(2,043)
Net debt	15,622	9,419
Total equity	42,580	35,190
Total capital	**58,202**	**44,609**
Gearing ratio	27%	21%

The Group is not subject to any externally imposed capital requirements.

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
(d) Non-controlling interests		
Balance at 1 July	4,149	3,181
Opening balance adjustments due to adoption of AASB 15 and 9	–	(25)
Gain / (loss) on translation of overseas controlled entities	49	309
Revaluation of land and buildings	–	36
Share of net profit for the year	92	749
Dividends paid	(410)	(101)
Balance at 30 June	**3,880**	**4,149**

	Consolidated	
In thousands of dollars	**Year ended 30 June 2020**	**Year ended 30 June 2019**
(e) Retained earnings		
Balance at 1 July	13,536	11,783
Opening balance adjustments due to adoption of AASB 15 and 9	–	(206)
Net profit for the year	6,736	3,682
Depreciation transfer for revaluation of buildings	45	52
Dividends paid	(1,790)	(1,775)
Balance at 30 June	**18,527**	**13,536**

23. Contributed equity and reserves (continued)

	Consolidated						
In thousands of dollars	**Employee equity benefits reserve**	**Foreign currency translation reserve**	**Cash flow hedge reserve**	**Asset revaluation reserve**	**Equity settlement reserve**	**Other reserves**	**Total**
(f) Reserves							
At 30 June 2018	309	(514)	–	4,100	6	(47)	3,854
Currency translation differences	–	1,599	–	–	–	–	1,599
Share-based payments	429	–	–	–	–	–	429
Settlement of performance rights	(390)	–	–	–	–	–	(390)
Net loss on cash flow hedge	–	–	–	–	–	–	–
Depreciation transfer for revaluation of buildings	–	–	–	(52)	–	–	(52)
Actuarial gains/(losses)	–	–	–	–	–	10	10
Revaluation of land and buildings	–	–	–	55	–	–	55
At 30 June 2019	**348**	**1,085**	**–**	**4,103**	**6**	**(37)**	**5,505**
Currency translation differences	–	65	–	–	–	–	65
Share-based payments	410	–	–	–	–	–	410
Settlement of performance rights	(456)	–	–	–	310	–	(146)
Net loss on cash flow hedge	–	–	–	–	–	–	–
Depreciation transfer for revaluation of buildings	–	–	–	(45)	–	–	(45)
Actuarial gains/(losses)	–	–	–	–	–	(56)	(56)
Revaluation of land and buildings	–	–	–	2,122	–	–	2,122
At 30 June 2020	**302**	**1,150**	**–**	**6,180**	**316**	**(93)**	**7,855**

Nature and purpose of reserves

Employee equity benefits reserve

This reserve is used to record the value of share-based payments provided to employees and directors as part of their remuneration. Refer to note 16 for further details of these plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Asset Revaluation Reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of land and buildings (net of tax) to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

Equity Settlement Reserve

The equity settlement reserve records the net difference between payment for shares upon the exercise of performance rights under the LTIP and the amount expensed in the profit and loss and recorded in the employee equity benefits reserve over the three year vesting period.

Other Reserve

Relates to actuarial losses from defined benefit pensions.

24. Commitments and contingencies

	Consolidated	
In thousands of dollars	**30 June 2020**	**30 June 2019**
(a) Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date, but not provided for payable:		
Not later than one year	564	594
Later than one year, but not later than five years	7	–
	571	**594**

These capital expenditure commitments relate to office refurbishment and plant upgrade works.

	Consolidated	
In thousands of dollars	**30 June 2020**	**30 June 2019**
(b) Operating lease expenditure commitments		
Not later than one year	24	289
Later than one year, but not later than five years	–	137
Later than five years	–	–
	24	**426**

These operating lease commitments relate to motor vehicle leases and rent.

(c) Contingent liabilities

The directors draw the following contingent liabilities to the attention of users of the financial statements:

Note 25 regarding the class order between certain subsidiaries and the Company.

25. Related parties

A Director of the Company, Mr P J Cave, has an interest in and is a Director of Anchorage Capital Partners Pty Ltd.

The terms and conditions of any transactions with Directors and their Director related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non Director related entities on arm’s length basis.

The total value of the transactions during the year with Director related entities were as follows:

		Consolidated	
In thousands of dollars		**2020**	**2019**
Director	**Director – related entity**		
P J Cave	Anchorage Capital Partners Pty Ltd	**150,000**	150,000

The above amounts were paid in relation to P J Cave’s services in his capacity as a director and are included in Directors’ remuneration in the Directors’ Report. The outstanding balance owing at 30 June 2020 is $0 (2019: $0).

25. Related parties (continued)

Investments

In thousands of dollars	Country of Incorporation	Percentage of equity interest held by the Consolidated entity 30 June 2020 %	Percentage of equity interest held by the Consolidated entity 30 June 2019 %
Name of parent			
Bisalloy Steel Group Limited	Australia		
Controlled entities			
Bisalloy Steels Pty Limited	Australia	100.00	100.00
PT Bima Bisalloy	Indonesia	60.00	60.00
Bisalloy Holdings (Thailand) Co Ltd	Thailand	85.00	85.00
Bisalloy (Thailand) Co Limited	Thailand	85.00	85.00
Bisalloy North America LLC	United States of America	100.00	100.00
Joint venture			
Bisalloy Shangang (Shandong) Steel Plate Co.,Limited*	People's Republic of China	41.67	41.67

* Refer Note 6 for details regarding equity interest, share of interest and joint control

Entities subject to class order relief

Pursuant to Class Order 2016/785, relief has been granted to Bisalloy Steels Pty Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of their Financial Reports. As a condition of the Class Order, Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited (the "closed" Group) entered into a Deed of Cross Guarantee on the 18th April 2002. The effect of the deed is that Bisalloy Steel Group Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entity. The controlled entity has also given a similar guarantee in the event that Bisalloy Steel Group Limited is wound up.

The consolidated statement of profit or loss and statement of financial position of the entities which are members of the "Closed Group" are as follows:

In thousands of dollars	Closed Group 30 June 2020	Closed Group 30 June 2019
i. Consolidated Income Statement		
Profit from continuing operations before income tax	8,657	3,223
Income tax expense	(2,283)	(793)
Profit after income tax	6,374	2,430
Accumulated profits at the beginning of the year	6,108	5,583
Opening balance adjustments due to adoption of AASB 15 and 9	–	(168)
Depreciation transfer for revaluation of buildings	38	38
Dividends provided for or paid	(1,790)	(1,775)
Accumulated profits at the end of the year	**10,730**	**6,108**
ii. Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	101	413
Trade and other receivables	13,239	12,967
Inventories	27,662	22,543

In thousands of dollars	Closed Group 30 June 2020	Closed Group 30 June 2019
Contract assets	200	304
Income tax receivable	–	273
Other financial assets	1,043	1,239
Total current assets	**42,245**	**37,739**
Non-current assets		
Investments	3,788	3,820
Property, plant and equipment	18,755	15,598
Intangible assets	170	–
Other financial assets	–	34
Total non-current assets	**22,713**	**19,452**
Total assets	**64,958**	**57,191**
Current liabilities		
Trade and other payables	18,533	24,580
Income tax payable	1,730	–
Interest bearing liabilities	6,672	8,822
Employee benefit liabilities	1,996	1,234
Lease liabilities	117	–
Contract liabilities	283	353
Total current liabilities	**29,331**	**34,989**
Non-current liabilities		
Interest bearing liabilities	5,742	–
Lease liabilities	90	–
Employee benefit liabilities	607	837
Deferred tax liability	1,946	1,412
Total non-current liabilities	**8,385**	**2,249**
Total liabilities	**37,716**	**37,238**
NET ASSETS	**27,242**	**19,953**
Shareholders' equity		
Contributed equity	12,318	12,000
Reserves	4,194	1,845
Accumulated profits	10,730	6,108
TOTAL SHAREHOLDERS' EQUITY	**27,242**	**19,953**

25. Related parties (continued)

The following table provides the total amount of transactions, other than amounts disclosed above, that have been entered into between the Group and related parties for the relevant financial year:

In thousands of dollars		Interest and management fees to related parties	Sales to & purchases from	Amounts owed by related parties	Amounts owed to related parties
Related Party					
Bisalloy Shangang Steel Plate (Shandong) Co.,Limited	2020	–	1,492	19	–
	2019	–	11	30	–

Terms and conditions of transactions with related parties

Sales to and purchase from related parties are made in arm's length transactions both at normal market price and on normal commercial terms. Sale and purchases with related parties during 2020 were $1,492,000 (2019: $11,000).

Outstanding balances at year-end are unsecured.

Compensation of key management personnel of the Group

In dollars	Consolidated Year ended 30 June 2020	 Year ended 30 June 2019[5]
Short-term employee benefits	2,318,205	1,858,348
Post employment benefits	152,445	133,067
Other long-term benefits	68,539	42,000
Termination benefits	30,641	–
Share-based payments	702,187	428,968
Total compensation paid to key management personnel	**3,272,017**	**2,462,113**

5 The Short-term employee benefits have been restated to reflect an accrual basis of accounting rather than cash. The Other long-term benefits have been restated to include annual leave amounts.

26. Events after the balance date

No significant events after the balance sheet date.

27. Auditors' remuneration

The auditor of Bisalloy Steel Group Limited is KPMG.

In thousands of dollars	Consolidated Year ended 30 June 2020	 Year ended 30 June 2019
Amounts received or due and receivable by KPMG* for:		
– an audit or review of the Financial Report of the entity and any other entity in the consolidated Group	137	151
– tax compliance and advice	57	–
– assurance related	18	–
– other	–	–
Amounts received or due and receivable by related practices of KPMG for:		
– an audit or review of the Financial Report of any other entity in the consolidated Group	66	83
– tax compliance and advice		–
	278	**234**

* Bisalloy Steel Group Limited's auditor in 2019 was Ernst & Young.

28. Parent entity information

In thousands of dollars	30 June 2020	30 June 2019
Information relating to Bisalloy Steel Group Limited:		
Current assets	–	273
Total assets	**7,345**	**6,716**
Current liabilities	1,730	–
Total liabilities	**4,762**	**3,529**
Issued capital	12,318	12,000
Accumulated losses	(9,771)	(8,849)
Reserves	36	36
Total shareholder's equity	**2,583**	**3,187**
Profit of the parent entity	900	1,741
Total comprehensive income of the parent entity	**900**	**1,741**

Guarantees have been entered into by the Parent entity on behalf of Bisalloy Steels Pty Limited and Bisalloy (Thailand) Co Limited. The guarantees in place cover Bisalloy Steels Pty Limited's $28M Westpac facility and 85% of Bisalloy Thailand's THB 3M bank overdraft facility.

There are no contingent liabilities or contractual commitments as at the reporting date.

Directors' Declaration

for the year ended 30 June 2020

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 consolidated entity's financial position as at 30 June 2020 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

b. the financial statements and notes also comply with International Financial Reporting Standards (AASB) as disclosed in note 2.

c. there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

d. as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in Note 25 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

e. this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2020.

On behalf of the Board

Glenn Cooper
Managing Director

Sydney

26 August 2020

KPMG

Independent Auditor's Report

To the shareholders of Bisalloy Steel Group Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Bisalloy Steel Group Limited (the ***Company***).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group***'s financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and,
- Directors' Declaration.

The ***Group*** consists of Bisalloy Steel Group Limited (the Company) and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the 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 Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Revenue recognition ($110,719K)	
Refer to Note 2(r) of the financial report	
The key audit matter	**How the matter was addressed in our audit**
Recognition of revenue is a key audit matter due to the: • Significance of revenue to the financial statements; and • Varying contract arrangements applicable to the Group with different points in time when control of the asset is transferred to the customer. In addition, the Group recognises revenue from the services of shipping and handling over time as the service is performed. This results in complex and judgemental revenue recognition from sale of goods and services of shipping and handling and therefore significant audit effort is required to gather sufficient audit evidence for revenue recognition. We also focused on the Group's assessment of the amount of revenue recognised from sale of goods variable consideration which is highly probable of not reversing, as applicable. The Group's determination that variable consideration is highly probable requires a degree of estimation and judgement. This increased the audit effort we applied to gather sufficient audit evidence.	Our procedures included: • Obtaining an understanding of the Group's process for revenue recognition from sale of goods and services of shipping and handling. • Considering the appropriateness of the Group's accounting policies for the recognition and measurement of revenue, including variable consideration, against the requirements of AASB 15 *Revenue from Contracts with Customers.* • Selecting a statistical sample of revenue transactions across varying contract arrangements applicable to the Group: - during the year. We evaluated the timing and amount of revenue recognised in comparison to underlying records including, terms and conditions in the underlying customer contract, sales invoice, and bank statement cash receipts; and, - Focussed around the year end cut-off. We evaluated the timing and amount of revenue recognised in comparison to underlying records including, terms and conditions in the underlying customer contract, sales invoice, delivery docket and bank statement cash receipts. • we evaluated the method applied by the Group to estimate the highly probable amount of the variable consideration against the specific contract terms. This included gathering underlying evidence in relation to the customer's early settlement discounts against the terms of the contract. We then recalculated the amount of variable consideration. We compared the recalculated

	amount to the amounts recorded by the Group as offsets to revenue. • Assessing the appropriateness of disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Bisalloy Steel Group Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001;*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and,
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Bisalloy Steel Group Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 8 to 14 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Warwick Shanks

Partner

Sydney

26 August 2020

ASX Additional Information

for the year ended 30 June 2020

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current as at 30 June 2020

In thousands of dollars	Ordinary shares: Number of holders	Number of shares
a. Distribution of equity securities		
The number of shareholders, by size of holding in each class of share are:		
1 – 1,000	513	311,114
1,001 – 5,000	538	1,269,471
5,001 – 10,000	157	1,197,949
10,001 – 100,000	245	8,327,490
100,001 and over	46	34,311,983
Total	**1,499**	**45,418,007**
The number of shareholders holding less than a marketable parcel of shares based on a share price of $0.93 at the date of this report are	192	60,011

There are 1,733,333 performance rights issued. Performance rights do not carry a right to vote.

		Listed ordinary shares: Number of shares	% of ordinary shares
b.	**Twenty largest shareholders**		
	The names of the twenty largest holders of quoted shares are:		
1.	BALRON NOMINEES PTY LTD	7,762,065	17.09
2.	ANCHORAGE (BSG) PTY LTD	7,016,575	15.45
3.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,617,814	12.37
4.	EVELIN INVESTMENTS PTY LIMITED	1,349,330	2.97
5.	SILVERSTREET PTY LTD <SUPER FUND A/C>	1,344,364	2.96
6.	FYL PTE LTD	858,051	1.89
7.	OLD OTTTO PTY LTD <OTTTO HOLDINGS UNIT A/C>	651,635	1.43
8.	MR MANFRED REIS + MRS EVELYN JEANETTE REIS <REIS PENSION&SUPER FUND A/C>	650,000	1.43
9.	INTERB INVESTMENTS PTY LTD	629,447	1.39
10.	RATHVALE PTY LIMITED	520,240	1.15
11.	ICART HOLDINGS PTY LTD <ICART SUPER FUND A/C>	515,470	1.13
12.	CITICORP NOMINEES PTY LIMITED	462,677	1.02
13.	KILCONQUHAR SUPERANNUATION FUND PTY LTD <KILCONQUHAR SUPER FUND A/C>	418,000	0.92
14.	MR NIGEL BURGESS + MRS YUKARI BURGESS <NENKIN SUPER FUND A/C>	401,273	0.88
15.	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	400,000	0.88
16.	BALKIN PTY LTD <BALKIN SUPER FUND A/C>	371,590	0.82
17.	MR ROBERT CHARLES SEAWRIGHT	370,260	0.82
18.	MR ROBERT JAMES KENRICK + MRS WAI NING KENRICK <KENRICK FAM SUPER FUND A/C>	335,531	0.74
19.	GREG ALBERT	327,904	0.72
20.	SENRAB (VIC) PTY LTD <ELDRIDGE S/F A/C>	312,000	0.69

In thousands of dollars	Number of shares	Fully paid %
c. Substantial Shareholders:		
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:		
Balron Nominees Pty Ltd , Smaller Holdings Pty Ltd	7,789,421	17.09
Anchorage (BSG) Pty Limited, Interb Investments Pty Ltd	7,646,022	16.83
J P Morgan Nominees Australia Limited	5.617,814	12.37
	21,053,257	**46.29**

d. Voting Rights:

All ordinary shares carry one vote per share without restriction.

Corporate Directory

for the year ended 30 June 2020

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18 Resolution Drive
Unanderra NSW 2526

Telephone: +61 (0)2 4272 0444
Facsimile: +61 (0)2 4272 0445

www.bisalloy.com.au

companysecretary@bisalloy.com.au

Auditors

KPMG

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Wollongong NSW 2500

Telephone: +61 (0)2 4229 2633
Facsimile: +61 (0)2 4229 2273

Bankers

Westpac Banking Corporation

Share Registry

Computershare Yarra Falls
452 Johnston Street
Abbotsford VIC 3067

GPO Box 2975
Melbourne VIC 3001

Telephone (within Australia): 1300 738 768

Telephone: +61 (0)3 9415 4377
Facsimile: +61 (0)3 9473 2500

www.computershare.com

Legal Advisors

Minter Ellison

Level 40, Governor Macquarie Tower 1 Farrer Place
Sydney NSW 2000

Telephone: +61 (0)2 9921 8888
Facsimile: +61 (0)2 9921 8123

Annual General Meeting

The Group will hold its 2020 Annual General Meeting in the Marble Room at the Radisson Blu Plaza Hotel located at 27 O'Connell Street, Sydney NSW at 11:00am on Friday, 27 November 2020. Copies of the annual report or further information can be obtained by emailing companysecretary@bisalloy.com.au or writing to the Company Secretary at the registered office. An electronic copy of this report is available on the Company's website.

Bisalloy Steel
GROUP LIMITED