

# 2021 Financial Report



# Directors' Report

for the year ended 30 June 2021

Your Directors submit their report for the year ended 30 June 2021.

## 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 38 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. Mr Cave left Bisalloy on 27 August 2020.

---

### Mr Richard Grellman AM

FCA

CHAIRMAN

**Skills and Experience:** Mr Grellman brings significant accounting and finance skills to the Company, having had over 34 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 as Director in February 2003 and as Chairman in August 2020. Mr Grellman left Bisalloy on 27 November 2020.

---

### Mr David Balkin AM

CHAIRMAN

**Skills and Experience:** Mr Balkin brings extensive knowledge and understanding of global basic materials industries through 25 years as a consultant, senior partner and leader of McKinsey & Company's global basic materials practice. He is also an experienced director and chairman of a number of private companies where he actively advises and supports management to improve shareholder returns and build more sustainable businesses.

**Term of office:** Appointed as Director and Chairman on 27 November 2020. Mr Balkin is subject to election in November 2021.

**Board Committees:**

- Audit and Risk Committee
- Nominations and Remuneration Committee

**Other Directorships:**

- RIS Safety Pty Ltd, Chairman
- Root Partnership Pty Ltd, Chairman
- Commitworks Pty Ltd, Director

---

### 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 brings a wealth of experience in the steel, mining and construction industries, as well as solid knowledge of international markets, having held postings in Asia and Europe. 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 on 6 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 on 6 July 2020. As the Managing Director he is not subject to re-election by rotation.

**Board Committees:**

- Audit and Risk Committee
- Nominations and Remuneration Committee

**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. Mr Godson left Bisalloy on 27 November 2020.

---

**Mr Barry Morris**

NON-EXECUTIVE DIRECTOR

**Skills and Experience:** Mr Morris is a former interim Bisalloy Chief Financial Officer and Company Secretary.

**Term of office:** Appointed in August 2020. Mr Morris left Bisalloy on 27 November 2020.

---

**Mr Ian Greenyer**

NON-EXECUTIVE DIRECTOR

**Skills and Experience:** Mr Greenyer brings significant financial and business analysis and improvement skills, through 27 years as an independent consultant, actively identifying and effecting change in small and medium sized companies operating in a broad range of business sectors based in Australia. These activities flowed from a background as an actuary, investment analyst and stockbroker.

**Term of office:** Appointed as Director on 27 November 2020. Mr Greenyer is subject to election in November 2021.

**Board Committees:**

- Audit and Risk Committee
- Nominations and Remuneration Committee

**Other Directorships:**

- Greenyer & Co, Director
-

# Directors' Report (continued)

for the year ended 30 June 2021

## Mr Michael Gundy

MBA, B Bus, Assoc Dip  
Metallurgy

NON-EXECUTIVE DIRECTOR

**Skills and Experience:** Mr Gundy is an experienced executive with 34 years of steel industry experience spread across Australia, S.E. Asia, New Zealand, and the United States. In his career Mr Gundy has been involved in profitably growing businesses, opening new markets, developing distribution channels and business restructuring.

**Term of office:** Appointed as Director on 27 November 2020. Mr Gundy is subject to election in November 2021.

### Board Committees:

- Audit and Risk Committee
- Nominations and Remuneration Committee

### Other Directorships:

Nil

## Company Secretary

### Mr Luke Beale

B COMM, MBA, ACA, GAICD  
COMPANY SECRETARY AND  
CHIEF FINANCIAL OFFICER

**Skills and Experience:** Appointed in April 2018. Mr Beale is a Chartered Accountant with 21 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. Mr Beale resigned on 21 July 2021 and his last day with Bisalloy will be 12 October 2021.

## 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 Cave	Nil
R Grellman	Nil
D Balkin	7,781,095
G Albert	Nil
G Cooper	5,813
K Godson	Nil
B Morris	Nil
I Greenyer	100,000
M Gundy	500

## Dividends

	Cents	\$'000
Final dividend recommended on ordinary shares (fully franked)	9.0	4,137
Dividends paid in the year	5.0	2,271

## 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 FY21, the Group sustained a period through H1 of 12 months LTI free. The focus for the year was to continue to address risk, improve our internal audit compliance, and safety education to our frontline workforce.

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 distributors and directly to select manufacturers and end users in Australia and internationally. For armour grade steels, Bisalloy deals directly with 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 2021, Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complemented 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 \$8,954,000 (2020: \$6,828,000).

The profit increase was primarily driven by an increase in domestic Australian margins offset by a loss in domestic market share. Export sales from Australia were strong, as were domestic sales in China. Overhead savings relative to the previous year were also achieved.

Operating results are summarised as follows:

	2021	
	Revenue	Profit after tax
<b>Operating Segments</b>		
Australia	92,357	9,674
Overseas	17,920	2,136
	110,277	11,810
Consolidated entity adjustments	(5,450)	(2,856)
<b>Consolidated entity revenue and profit after tax for the year</b>	<b>104,827</b>	<b>8,954</b>

# Directors' Report (continued)

for the year ended 30 June 2021

## Shareholder returns

The Board has decided to pay a dividend of 9.0 cents per share for the year ended 30 June 2021.

	2021	2020	2019	2018	2017
Basic earnings / (loss) per share (cents)	19.3c	14.9c	8.3c	8.2c	3.4c
Net profit / (loss) attributable to members (\$'000)	8,810	6,736	3,682	3,636	1,509
Return on equity (reported PAT/equity) (%)	18.5%	16.0%	12.6%	12.6%	6.6%
Gearing (net debt / net debt + equity) (%)	13%	27%	21%	16%	15%
Dividends paid (cents)	5.0c	4.0c	4.0c	2.5c	2.5c
Dividends proposed (cents)	9.0c	5.0c	4.0c	4.0c	2.5c
Dividend franking	100%	100%	100%	100%	100%

## Liquidity and capital resources

The consolidated statement of cash flows details an increase in cash and cash equivalents before exchange rate differences for the year ended 30 June 2021 of \$1,845,000 (2020: decrease of \$1,388,000).

Operating activities resulted in a net cash inflow of \$10,900,000 (2020: outflow of \$2,001,000) partially driven by a reduction in working capital.

Investing activities resulted in a net cash inflow of \$155,000 (2020: outflow of \$2,222,000). This included cash outflows of \$1,252,000 (2020: \$2,052,000) for investment in operating plant and equipment and dividends received of \$1,751,000 (2020: \$0).

Financing activities resulted in a net cash outflow of \$9,210,000 (2020: inflow of \$2,835,000), including a repayment of \$6,979,000 in borrowings (2020: increase in borrowings of \$4,832,000) and the dividend paid in cash to shareholders in November 2020 totalling \$1,703,000 (2019: \$1,472,000).

## Funding

The Group's net debt decreased to \$7.0m at 30 June 2021, down from \$15.6m at 30 June 2020, with a decrease in gearing to 13%, down from 27% at the end of the previous year.

Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited have the following facilities in place with Westpac Banking Corporation: a trade finance facility of \$9 million, an invoice finance facility of \$12 million and a two year bank bill business facility of \$6 million. The total limit of these facilities is \$27 million.

The Group has IDR 44.5b revolver facilities as well as a USD\$500k Letter of Credit facility available to its Indonesian based subsidiary.

## Business strategy and outlook

### Strategy

#### Australian Sales

Bisalloy's strategy is to be the supplier of choice to Australian fabricators and manufacturers as the only Australian producer of high-quality quenched and tempered steel.

With a globally recognised brand and over 40 years of experience, Bisalloy is well positioned to use existing technical

know-how to work closely with customers in the Mining, Construction, Transport and Defence sectors to provide the best quality material for their purposes, offering an efficient and effective supply chain by taking advantage of our local manufacturing capability and high-quality greenfeed supply.

The Board with senior management has initiated a series of strategic reviews to better support our end user customers, strengthen our relationships with our largest customers and build a more robust supply chain at a time of major capacity shortages in shipping and steel production globally.

Domestic sales volumes were negatively impacted by increased US imports during FY21 which was partially offset by improved margins.

On 16th March 2021, the Anti-Dumping Commission initiated an investigation in respect of quenched and tempered steel plate imported into Australia from the USA. The investigation is ongoing and the public record relating to this investigation can be found at <https://www.industry.gov.au/regulations-and-standards/anti-dumping-and-counter-veiling-systems/anti-dumping-commission-current-cases/578>. The result of this investigation will have a material impact on our strategy in the Australian market.

#### China Co-Operative Joint Venture (CJV)

Bisalloy has worked closely with the CJV over the last 10 years to build a strong business across China and North Asia. Our strategy with the CJV is to continue to leverage Bisalloy's technical know-how and research and development (R&D) capabilities to strengthen and grow the position and reputation of the business as a premium supplier of quenched and tempered steel plate for the domestic Chinese market.

In June 2021, Bisalloy and Shandong converted the Co-Operative Joint Venture to a Foreign Invested Limited Liability Company, which means that the current terms, conditions and working arrangements with the CJV are ongoing with no set end date.

The CJV also plays a key role in providing an alternate supply of suitable greenfeed for Bisalloy.

The CJV had a very strong FY21 with sales volumes up 29% on FY20.

## Overseas Distribution

Bisalloy's well established distribution businesses in Thailand and Indonesia have remained profitable during a period where Covid-19 lockdowns and restrictions have limited market growth with sales volumes down by 31% and 14% respectively on FY20 results.

Both businesses are well positioned with experienced sales teams and a developed supply chain with Bisalloy Australia, to take advantage of market growth in these two key South East Asian markets post Covid-19.

Bisalloy is also exploring options for supply of some grades of quenched and tempered plate from the CJV.

## Armour

The Armour business continues to be of strategic importance to Bisalloy with new market opportunities both domestically and internationally.

Bisalloy's strategy remains unchanged with a clear focus on leveraging our globally recognised brand by the military in western markets, our R&D and technical know-how to work closely with several industry participants in the development of the right technical and quality solutions for their individual needs.

## Covid-19

Whilst Covid-19 has not had a material impact on FY21 demand in Australia or China, the impact on demand in Thailand, Indonesia and our export Armour business continues to be affected.

The Covid-19 restrictions on domestic and international travel have hindered the business from executing initiatives focused on growing market share and business improvements in key markets. No plant or operational closures have occurred to-date.

## FY22 Outlook

In Australia, lockdowns and travel restrictions have continued into the FY22 financial year and impacts on market conditions and demand remain unclear. Subject to any long-term continuation of these limitations, Bisalloy is forecasting increased profitability in FY22.

Bisalloy will continue to focus on marketing and selling our range of premium quenched and tempered steels to the Mining and Construction sectors which account for the largest share of Australian sales whilst building our position in the Armour sector.

## 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 risks that have a potential to materially impact on the financial outlook for the Group are pricing and availability of greenfeed and continued upward pressure on energy prices.

Bisalloy is working through options with our main greenfeed supplier as well as other suppliers including the CJV, to mitigate the above-mentioned risks.

Electricity and natural gas are integral inputs into the Group's manufacturing process, and affordable energy resources are critical if the Group is to maintain its competitive advantage. Bisalloy Australia currently has retail contracts 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 \$42,580,000 to \$48,414,000, an increase of \$5,834,000 that was driven by the increase in net profit for the year offset by a final dividend totalling \$2,271,000 in respect of the year ended 30 June 2020 which was paid to shareholders in November 2020.

## 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

# Directors' Report (continued)

for the year ended 30 June 2021

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 22 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.

	2021
Services other than audit and review of financial statements	
– Tax compliance engagement	11,000
Audit and review of financial statements	197,000
<b>Total paid to KPMG</b>	<b>208,000</b>

## Likely developments and expected results

In FY22 Bisalloy is continuing with its growth strategy of 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 FY21 with good momentum going into FY22. Bisalloy is forecasting profitability to be up in FY22.

## 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	Nomination and remuneration
<b>Number of Meetings Held</b>	13	3	4
<b>Number of Meetings Attended</b>			
P Cave	2	1	1
R Grellman	4	1	1
D Balkin	8	2	3
G Albert	0	0	0
G Cooper	13	3	4
K Godson	5	1	1
B Morris	3	0	0
I Greenyer	8	2	3
M Gundy	8	2	3

## Remuneration report (audited)

This remuneration report for the year ended 30 June 2021 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 \$383,250. The Board will not seek any increase for the fee pool at the 2021 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

# Directors' Report (continued)

for the year ended 30 June 2021

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 2021 is detailed in the table on page 12 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 2021 is detailed in the table on page 12 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 2021 is detailed in the table on page 12 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 2021 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 1,050,000 share rights (2020: 400,000) were granted under this scheme during the year.

## Group performance

The Board has determined that 65.54% of the performance components of the 2021 share rights have vested based on an ROE achieved that was between budget ROE and stretch ROE.

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

	2021	2020	2019	2018	2017
Return on equity (reported PAT/equity) (%)	18.5%	16.0%	12.6%	12.6%	6.6%

## Details of key management personnel of the company and group

### (i) Directors

P Cave	Non-executive Chairman (until 27 August 2020)
R Grellman	Non-executive Chairman (Director until 27 November 2020; Chairman from 27 August 2020 until 27 November 2020)
D Balkin	Non-executive Chairman (from 27 November 2020)
K Godson	Non-executive Director (until 27 November 2020)
B Morris	Non-executive Director (from 27 August 2020 until 27 November 2020)
I Greenyer	Non-executive Director (from 27 November 2020)
M Gundy	Non-executive Director (from 27 November 2020)
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
A Egan	Bisalloy Australia Sales and Marketing Manager

## 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 (from 6 July 2020)

- 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

# Directors' Report (continued)

for the year ended 30 June 2021

## Remuneration of key management personnel of the company and group

Year ended 30 June 2021

	Short-term		Long-term		Post employment			Share-based payments		Total	Performance related %
	Salary and fees \$	Cash bonus \$	Long service and annual leave \$	Super-annuation \$	Retirement benefits \$	Termination benefits \$	Other \$	Share rights \$	\$		
<b>Non-Executive Directors</b>											
P Cave <sup>1</sup>	25,000	-	-	-	-	-	-	-	-	25,000	-
R Grellman <sup>2</sup>	55,750	-	-	-	-	-	-	-	-	55,750	-
K Godson <sup>2</sup>	41,667	-	-	3,958	-	-	-	-	-	45,625	-
B Morris <sup>3</sup>	26,154	-	-	2,485	-	-	-	-	-	28,638	-
D Balkin <sup>4</sup>	88,654	-	-	8,422	-	-	-	-	-	97,076	-
I Greenyer <sup>4</sup>	59,102	-	-	5,615	-	-	-	-	-	64,717	-
M Gundy <sup>4</sup>	59,102	-	-	5,615	-	-	-	-	-	64,717	-
<b>Sub-total Non-Executive Directors</b>	<b>355,429</b>	<b>-</b>	<b>-</b>	<b>26,095</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>381,524</b>	<b>-</b>
<b>Executive Directors</b>											
G Albert <sup>5</sup>	583,846	-	-	25,840	-	-	-	200,000	(311,684)	498,003	-
G Cooper <sup>6</sup>	423,365	149,439	21,489	25,000	-	-	-	-	271,153	890,445	47%
<b>Sub-total Executive Directors</b>	<b>1,007,211</b>	<b>149,439</b>	<b>21,489</b>	<b>50,840</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>(40,531)</b>	<b>1,388,448</b>	<b>8%</b>
<b>Other key management personnel</b>											
L Beale <sup>7</sup>	320,465	68,835	19,521	25,000	-	-	-	-	138,481	572,302	36%
M Enbom	325,000	69,738	13,395	25,000	-	-	-	-	131,868	565,001	36%
A Egan	212,000	27,889	7,069	18,050	-	-	-	-	41,467	306,474	23%
<b>Sub-total Executive KMP</b>	<b>857,465</b>	<b>166,461</b>	<b>39,985</b>	<b>68,050</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>311,816</b>	<b>1,443,777</b>	<b>33%</b>
<b>Totals</b>	<b>2,220,105</b>	<b>315,900</b>	<b>61,473</b>	<b>144,985</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>200,000</b>	<b>271,285</b>	<b>3,213,749</b>	<b>18%</b>

1 Mr Cave resigned effective from 27 August 2020.

2 Mr Grellman and Mr Godson resigned on 27 November 2020.

3 Mr Morris resigned on 27 November 2020 following shareholders of Baisalloy failing to approve his election at the AGM.

4 Mr Balkin, Mr Greenyer and Mr Gundy were appointed on 27 November 2020.

5 Mr Albert's employment was terminated on 6 July 2020. He was paid one year's salary as part of his final settlement as well as a further negotiated \$200k.

6 Mr Cooper was appointed as Managing Director on 6 July 2020.

7 Mr Beale resigned on 21 July 2021 and his final day of employment will be 12 October 2021.

Year ended 30 June 2020

	Short-term		Long-term		Post employment			Share-based payments		Total	
	Salary and fees \$	Cash bonus \$	Long service and annual leave \$	Super-annuation \$	Retirement benefits \$	Termination benefits \$	Share rights \$	Share rights \$	Performance related \$	Performance related %	
<b>Non-Executive Directors</b>											
P Cave	150,000	-	-	-	-	-	-	-	150,000	-	
R Grellman	100,000	-	-	9,500	-	-	-	-	109,500	-	
K Godson	100,000	-	-	9,500	-	-	-	-	109,500	-	
<b>Sub-total Non-Executive Directors</b>	<b>350,000</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>369,000</b>	<b>-</b>	
<b>Executive Directors</b>											
G Albert <sup>1</sup>	575,000	-	9,681	25,000	-	-	-	557,710	1,167,391	48%	
<b>Sub-total Executive Directors</b>	<b>575,000</b>	<b>-</b>	<b>9,681</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>557,710</b>	<b>1,167,391</b>	<b>48%</b>	
<b>Other key management personnel</b>											
G Cooper <sup>2</sup>	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 <sup>3</sup>	172,344	-	-	15,885	-	30,641	-	(55,654)	163,216	-	
M Enborn	244,254	82,463	12,548	23,204	-	-	-	44,594	407,063	31%	
A Egan <sup>4</sup>	43,651	-	3,604	3,841	-	-	-	-	51,096	-	
A Huckstepp	179,754	40,052	7,962	24,970	-	-	-	1,961	254,699	16%	
<b>Sub-total Executive KMP</b>	<b>1,164,649</b>	<b>228,556</b>	<b>58,858</b>	<b>108,445</b>	<b>-</b>	<b>30,641</b>	<b>-</b>	<b>144,477</b>	<b>1,735,626</b>	<b>21%</b>	
<b>Totals</b>	<b>2,089,649</b>	<b>228,556</b>	<b>68,539</b>	<b>152,445</b>	<b>-</b>	<b>30,641</b>	<b>-</b>	<b>702,187</b>	<b>3,272,017</b>	<b>28%</b>	

1 Mr Albert left Bisalloy on 6 July 2020.

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 2021

## 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 2020	Granted during the year	Rights exercised during the year	Forfeited or lapsed	Balance at 30 June 2021	Vested and exercisable	Unvested
<b>Executives</b>							
G Albert <sup>1</sup>	833,333	–	–	(833,333)	–	–	–
G Cooper <sup>2</sup>	400,000	600,000	–	(57,440)	942,560	–	942,560
L Beale <sup>3</sup>	333,333	–	(200,000)	(22,976)	110,357	(110,357)	–
M Enbom	166,667	250,000	–	(25,848)	390,819	–	390,819
A Egan	–	200,000	–	(11,488)	188,512	–	188,512
	<b>1,733,333</b>	<b>1,050,000</b>	<b>(200,000)</b>	<b>(951,085)</b>	<b>1,632,248</b>	<b>(110,357)</b>	<b>1,521,891</b>

1 Mr Albert's unvested rights were forfeited upon the termination of his employment on 6 July 2020.

2 Mr Cooper's new issue of 600,000 share rights was approved at the AGM on 27 November 2020.

3 200,000 of Mr Beale's rights vested on 15 April 2021. The Board elected to provide a cash payment for 50% of these with the remaining 50% exercised as shares. Mr Beale resigned on 21 July 2021 and his final day of employment will be 12 October 2021. Mr Beale will be issued 110,357 shares on 25 August 2021.

	L Beale <sup>1</sup>	M Enbom	G Albert <sup>2</sup>	G Cooper #1	A Egan	G Cooper <sup>3</sup> #2	M Enbom #2	Total
Grant date	16-Apr-18	5-Nov-18	26-Feb-19	11-Nov-19	1-Jul-20	6-Jul-20	6-Jul-20	
Vesting date	30-Jun-21	4-Nov-21	25-Feb-22	10-Nov-22	30-Jun-23	5-Jul-23	5-Jul-23	
Fair value at grand date	\$0.82	\$0.79	\$1.00	\$0.97	\$0.85	\$1.16	\$0.82	
Balance at 1 July 2020	333,333	166,667	833,333	400,000	–	–	–	1,733,333
New grants in the year	–	–	–	–	200,000	600,000	250,000	1,050,000
Exercised in the year	(200,000)	–	–	–	–	–	–	(200,000)
Lapsed during the year	(22,976)	(11,488)	(833,333)	(22,976)	(11,488)	(34,464)	(14,360)	(951,085)
Balance at 30 June 2021	110,357	155,179	–	377,024	188,512	565,536	235,640	1,632,248
<b>Vested and exercisable at 30 June 2021</b>	<b>110,357</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>110,357</b>

1 200,000 of Mr Beale's rights vested on 15 April 2021. The Board elected to provide a cash payment for 50% of these with the remaining 50% exercised as shares. Mr Beale resigned on 21 July 2021 and his final day of employment will be 12 October 2021. Mr Beale will be issued 110,357 shares on 25 August 2021.

2 Mr Albert's unvested rights were forfeited upon the termination of his employment on 6 July 2020.

3 Mr Cooper's 600,000 share rights awarded on 6 July 2020 were approved at the AGM on 27 November 2020. The fair value at the date of the initial award was \$0.82. The fair value on the date of approval was \$1.16.

The Board has determined that 65.54% of the performance components of the 2021 share rights have vested based on an ROE achieved that was between budget ROE and stretch ROE. Final vesting of the share rights are subject to each executive remaining employed by the Group until the vesting date.

## Shareholdings of key management personnel

Shareholdings include shares held personally and through related parties.

	Balance at 30-Jun-20	Performance rights exercised	Other	Balance at 30-Jun-21
<b>Directors</b>				
P Cave <sup>1</sup>	7,646,022	–	(7,646,022)	–
K Godson <sup>2</sup>	1,344,766	–	(1,344,766)	–
R Grellman <sup>2</sup>	41,693	–	(41,693)	–
B Morris <sup>3</sup>	–	–	–	–
D Balkin <sup>4</sup>	7,781,095	–	–	7,781,095
I Greenyer <sup>4</sup>	–	–	100,000	100,000
M Gundy <sup>4</sup>	–	–	500	500
G Albert <sup>5</sup>	327,904	–	(327,904)	–
G Cooper <sup>6</sup>	5,813	–	–	5,813
<b>Executives</b>				
L Beale <sup>7</sup>	7,500	100,000	7,500	115,000
M Enbom	–	–	–	–
A Egan	–	–	–	–
	<b>17,154,793</b>	<b>100,000</b>	<b>(9,252,385)</b>	<b>8,002,408</b>

1 Mr Cave resigned effective from 27 August 2020.

2 Mr Grellman and Mr Godson resigned on 27 November 2020.

3 Mr Morris resigned on 27 November 2020 following shareholders of Bisalloy failing to approve his election at the AGM.

4 Mr Balkin, Mr Greenyer and Mr Gundy were appointed on 27 November 2020.

5 Mr Albert's employment was terminated on 6 July 2020. He was paid one year's salary as part of his final settlement as well as a further negotiated \$200k.

6 Mr Cooper was appointed as Managing Director on 6 July 2020.

7 Mr Beale resigned on 21 July 2021 and his final day of employment will be 12 October 2021.

## 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 22.



### Glenn Cooper

Managing Director

26 August 2021

# Corporate Governance Statement

for the year ended 30 June 2021

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](http://www.bisalloy.com.au).

Recommendation	Comply Yes/No	Reference/Explanation
<b>Principle 1 – Lay solid foundations for management and oversight</b>		
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.  The Equal Employment Opportunity Policy is available on the Company website.

Recommendation	Comply Yes/No	Reference/Explanation
<b>Principle 2 – Structure the Board to be effective and add value</b>		
2.1 A majority of the Board should be independent Directors.	Yes	<p>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.</p> <p>The following Directors are considered independent:</p> <ul style="list-style-type: none"> <li>• Mr Greenyer</li> <li>• Mr Gundy</li> </ul>
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	<p>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:</p> <ul style="list-style-type: none"> <li>• 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;</li> <li>• review of Bisalloy’s strategic direction and objectives;</li> <li>• assessment of the Managing Director’s performance by the non-executive Directors;</li> <li>• assessment of whether corporate governance practices are appropriate and reflect “good practice”; and</li> <li>• assessment of whether the expectations of differing stakeholders have been met.</li> </ul> <p>As part of this process the Chairman also:</p> <ul style="list-style-type: none"> <li>• meets with the senior executives to discuss with them their views of the Board’s performance and level of involvement;</li> <li>• discusses each individual Director’s contributions face-to-face as appropriate; and</li> <li>• 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).</li> </ul>
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.

# Corporate Governance Statement (continued)

for the year ended 30 June 2021

Recommendation	Comply Yes/No	Reference/Explanation
<b>Principle 3 – Instil a culture of acting lawfully, ethically and responsibly</b>		
<p>3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>• the practices necessary to maintain confidence in the company's integrity</li> <li>• the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders</li> <li>• the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</li> </ul>	Yes	<p>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.</p> <p>The Code of Conduct has four key principles as follows:</p> <ol style="list-style-type: none"> <li>1. <i>We respect each other and treat all people fairly</i></li> <li>2. <i>We respect the law and act accordingly</i></li> <li>3. <i>We act honestly and fairly in all our business activities and relationships</i></li> <li>4. <i>We use Bisalloy's property responsibly and in the best interests of Bisalloy</i></li> </ol> <p>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.</p> <p>In addition, the Board has an established Corporate Governance Code as discussed under Recommendation 1.</p>
3.2 Additional information		The Company values are available on the Company website.
<b>Principle 4 – Safeguard the integrity of corporate reports</b>		
4.1 The Board should establish an audit committee.	Yes	The Company has an Audit & Risk Committee.
<p>4.2 The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> <li>• consists only of non-executive Directors</li> <li>• consists of a majority of independent Directors</li> <li>• is Chaired by an independent Chair, who is not Chair of the Board</li> <li>• has at least three members</li> </ul>	Yes	<p>At the date of this report the Company's Audit and Risk Committee was:</p> <ul style="list-style-type: none"> <li>• comprised of non-executive Directors being Mr Greenyer, Mr Balkin and Mr Gundy.</li> <li>• Chaired by Mr Greenyer</li> <li>• governed by a Charter approved by the Board</li> <li>• 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.</li> </ul>
4.3 The audit committee should have a formal charter.	Yes	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.
4.4 Additional information		<p>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.</p> <p>The Audit &amp; Risk Committee Charter is available on the Company's website.</p>

Recommendation	Comply Yes/No	Reference/Explanation
<b>Principle 5 – Make timely and balanced disclosure</b>		
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	<p>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.</p> <p>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.</p> <p>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.</p>
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	<p>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.</p> <p>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.</p> <p>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</p>
---	-----	--

### 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	<p>The Board has allocated responsibility to the Audit &amp; Risk Committee to ensure there are adequate policies, procedures and control systems in relation to risk management and compliance.</p> <p>The Committee reviews and approves policies pertaining to material business risks to ensure they are current and adequately address the necessary aspects of risk management.</p>
---	-----	---

# Corporate Governance Statement (continued)

for the year ended 30 June 2021

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	<p>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.</p> <p>The Company has an Audit &amp; 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.</p>
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	<p>In accordance with section 295A of the <i>Corporations Act</i>, the CEO and CFO have provided a written statement to the Board that:</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• the Company's risk management and internal compliance and control system is operating effectively in all material respects.</li> </ul>
7.4 Additional information.		<p>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.</p>

## Principle 8 – Remunerate fairly and responsibly

8.1 The Board should establish a remuneration committee.	Yes	<p>The Company has a Nominations and Remuneration Committee which meets as required each year.</p>
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> <li>• Consists of a majority of independent Directors</li> <li>• Is Chaired by an independent Chair</li> <li>• Has at least three members</li> </ul>		<p>At the date of this report the Company's Remuneration Committee was:</p> <ul style="list-style-type: none"> <li>• comprised of non-executive Directors being Mr Balkin, Mr Greenyer and Mr Gundy.</li> <li>• Chaired by Mr Balkin, with two independent Directors.</li> <li>• governed by a Charter approved by the Board</li> </ul> <p>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.</p>

Recommendation	Comply Yes/No	Reference/Explanation
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 2021



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

To the Directors of Bisalloy Steel Group Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Bisalloy Steel Group Limited for the financial year ended 30 June 2021 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.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'Warwick Shanks'.

Warwick Shanks

Partner

Wollongong

26 August 2021

# Consolidated Statement of Profit or Loss and other Comprehensive Income

For the year ended 30 June 2021

In thousands of dollars	Notes	Consolidated	
		Year ended 30 June 2021	Year ended 30 June 2020
<b>Continuing operations</b>			
Revenue from contracts with customers	3	104,827	110,719
Cost of goods sold		(81,476)	(87,173)
<b>Gross profit</b>		<b>23,351</b>	<b>23,546</b>
Other income / (expenses)	5(a)	33	(453)
Distribution expenses		(2,323)	(2,534)
Marketing expenses		(2,818)	(3,163)
Occupancy expenses		(730)	(758)
Administrative expenses		(6,215)	(8,085)
<b>Operating profit</b>		<b>11,298</b>	<b>8,553</b>
Finance costs	5(b)	(1,107)	(1,231)
Finance income	5(b)	6	42
Share of profit of joint venture, net of tax	6	2,355	1,653
<b>Profit before income tax</b>		<b>12,552</b>	<b>9,017</b>
Income tax expense	7(a)	(3,598)	(2,189)
<b>Profit after income tax</b>		<b>8,954</b>	<b>6,828</b>
Attributable to:			
Non-controlling interest	23(d)	144	92
Owners of the parent		8,810	6,736
<b>Profit for the year</b>		<b>8,954</b>	<b>6,828</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Fair value revaluation of land and buildings		–	3,032
Foreign currency translation		(1,410)	114
Actuarial gains / (losses)		13	(56)
Income tax effect on items in other comprehensive income		92	(910)
<b>Other comprehensive income for the period, net of tax</b>		<b>(1,305)</b>	<b>2,180</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>7,649</b>	<b>9,008</b>
Attributable to:			
Non-controlling interest		(236)	141
Owners of the parent		7,885	8,867
		<b>7,649</b>	<b>9,008</b>
<b>Earnings per share for profit attributable to ordinary equity holders of the parent</b>			
– Basic earnings per share (cents)	8	19.3	14.9
– Diluted earnings per share (cents)	8	18.5	14.3

# Consolidated Statement of Financial Position

As at 30 June 2021

In thousands of dollars	Notes	Consolidated	
		30 June 2021	30 June 2020
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10(a)	2,347	672
Trade and other receivables	11	23,532	17,031
Inventories	12	27,936	38,228
Other current assets	13	1,072	1,182
Contract assets	3.2	135	200
Income tax receivable	7(e)	78	496
Derivative asset	22	–	8
<b>Total current assets</b>		<b>55,100</b>	<b>57,817</b>
<b>Non-current assets</b>			
Investment in joint venture	6	6,601	6,554
Other non-current assets	13	122	–
Property, plant and equipment	14	21,204	22,002
Intangibles	15	514	170
Income tax receivable	7(e)	297	
Deferred tax asset	7(d)	51	62
<b>Total non-current assets</b>		<b>28,789</b>	<b>28,788</b>
<b>Total assets</b>		<b>83,889</b>	<b>86,605</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	18	17,837	19,736
Loans and borrowings	19.2	9,315	10,552
Income tax payable	7(e)	1,708	1,785
Employee benefit liabilities	20	2,172	2,019
Lease liabilities	21	262	225
Contract liabilities	3.2	395	283
Derivative liabilities	22	33	–
<b>Total current liabilities</b>		<b>31,722</b>	<b>34,600</b>
<b>Non-current liabilities</b>			
Loans and borrowings	19.2	–	5,742
Employee benefit liabilities	20	1,438	1,562
Lease liabilities	21	386	266
Deferred tax liabilities	7(d)	1,929	1,855
<b>Total non-current liabilities</b>		<b>3,753</b>	<b>9,425</b>
<b>Total liabilities</b>		<b>35,475</b>	<b>44,025</b>
<b>NET ASSETS</b>		<b>48,414</b>	<b>42,580</b>
<b>EQUITY</b>			
Equity attributable to equity holders of the parent			
Contributed equity	23(a)	12,886	12,318
Accumulated profits	23(e)	25,116	18,527
Other reserves	23(f)	6,955	7,855
<b>Parent interests</b>		<b>44,957</b>	<b>38,700</b>
<b>Non-controlling interests</b>	23(d)	<b>3,457</b>	<b>3,880</b>
<b>TOTAL EQUITY</b>		<b>48,414</b>	<b>42,580</b>

# Consolidated Statement of Cash Flows

For the year ended 30 June 2021

In thousands of dollars	Notes	Consolidated	
		Year Ended 30 June 2021	Year Ended 30 June 2020
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		106,910	120,067
Payments to suppliers and employees (inclusive of GST)		(91,536)	(119,438)
Interest received		6	42
Borrowing costs		(1,107)	(1,231)
Income tax paid		(3,373)	(1,441)
<b>Net cash received from operating activities</b>	10(b)	<b>10,900</b>	<b>(2,001)</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(1,252)	(2,052)
Payments for intangible assets		(344)	(170)
Dividends received from investments		1,751	–
<b>Net cash received from investing activities</b>		<b>155</b>	<b>(2,222)</b>
<b>Cash flows from financing activities</b>			
Repayments of / proceeds from borrowings	10(d)	(6,979)	4,832
Dividends paid to non-controlling interests		(187)	(226)
Dividends paid to shareholders of the parent		(1,703)	(1,472)
Principal lease payments		(341)	(299)
<b>Net cash used in financing activities</b>		<b>(9,210)</b>	<b>2,835</b>
Net increase / (decrease) in cash held		1,845	(1,388)
Net foreign exchange differences		(170)	17
Cash at the beginning of the financial year		672	2,043
<b>Cash at the end of the financial year</b>	10(a)	<b>2,347</b>	<b>672</b>

# Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

## Attributable to equity holders of the Company

	Issued capital	Employee equity benefits reserve	Net gain/(loss) on cash flow hedges	Foreign currency translation reserve	Asset revaluation reserve	Equity settlement reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total equity
<b>1 July 2019</b>	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	-	-	-
<b>Total comprehensive income</b>	-	-	-	65	2,077	-	(56)	6,781	8,867	141	9,008
<b>Transactions with owners in their capacity as owners:</b>											
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)
<b>At 30 June 2020</b>	12,318	302	-	1,150	6,180	316	(93)	18,527	38,700	3,880	42,580
<b>1 July 2020</b>	12,318	302	-	1,150	6,180	316	(93)	18,527	38,700	3,880	42,580
Profit for the period	-	-	-	-	-	-	-	8,810	8,810	144	8,954
Other comprehensive income	-	-	-	(991)	57	-	9	-	(925)	(380)	(1,305)
Depreciation transfer for building revaluation	-	-	-	-	(50)	-	-	50	-	-	-
<b>Total comprehensive income</b>	-	-	-	(991)	7	-	9	8,860	7,885	(236)	7,649
<b>Transactions with owners in their capacity as owners:</b>											
Ordinary dividends paid to shareholders (Note 9)	-	-	-	-	-	-	-	(2,271)	(2,271)	-	(2,271)
Dividend Reinvestment Plan (Note 23 (b))	568	-	-	-	-	-	-	-	568	-	568
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(187)	(187)
Settlement of performance rights	-	75	-	-	-	-	-	-	75	-	75
Share based payments (Note 16)	-	82	-	-	-	(82)	-	-	-	-	-
Transferred to liability (Note 20)	-	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2021</b>	12,886	295	-	159	6,187	398	(84)	25,116	44,957	3,457	48,414

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2021

## 1. Corporate information

The financial report of Bisalloy Steel Group Limited and its subsidiaries ("the Group") for the year ended 30 June 2021 was authorised for issue in accordance with a resolution of the directors on 25 August 2021.

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

### Table of Contents

- a) Basis of preparation
- b) Basis of consolidation and investments in joint venture
- c) Significant accounting judgements, estimates and assumptions
- d) Operating segments
- e) Taxation
- f) Cash and cash equivalents
- g) Trade and other receivables
- h) Inventories
- i) Property, plant and equipment
- j) Intangible assets
- k) Trade and other payables
- l) Contributed equity
- m) Employee benefits
- n) Share-based payment transactions
- o) Provisions
- p) Financial Instruments
- q) Goods and services tax
- r) Revenue from contracts with customers
- s) Other income
- t) Borrowing costs
- u) Leases
- v) Foreign currency translation
- w) Earnings per share (EPS)
- x) Derivative financial instruments and hedging
- y) Fair value measurement
- z) Changes in accounting standards
- aa) Standards issued but not yet effective

### 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

Comparative information is consistent with the current years presentation.

### 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 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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 2. Summary of significant accounting policies (continued)

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 on the face of the statement of profit or loss and other comprehensive income.

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.

### c) Significant accounting judgements, estimates and assumptions

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 differences associated with investments in subsidiaries, associates or interests in joint ventures, deferred tax assets 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 from 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	<ul style="list-style-type: none"><li>• Purchase cost is on a weighted average cost basis.</li></ul>
Work in progress and finished goods	<ul style="list-style-type: none"><li>• Cost of direct materials, labour and an appropriate proportion of manufacturing overheads is based on normal operating capacity, but excluding borrowing costs.</li></ul>

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 2. Summary of significant accounting policies (continued)

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 Group'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 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 2. Summary of significant accounting policies (continued)

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 quenched 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 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).

#### **Sale of goods**

##### **(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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 2. Summary of significant accounting policies (continued)

### *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

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 2020.

#### *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 its 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.

### **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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 2. Summary of significant accounting policies (continued)

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 2020, except for the adoption of new standards effective as of 1 July 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

### aa) Standards issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2020 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:

In thousands of dollars	For the year ended 30 June 2021		
	Australia	Overseas	Total
<b>Performance obligation</b>			
Sales of steel plates	82,499	17,580	100,079
Shipping and handling	4,408	340	4,748
<b>Total revenue from contracts with customers</b>	<b>86,907</b>	<b>17,920</b>	<b>104,827</b>
<b>Timing of revenue recognition</b>			
Goods transferred at a point in time	82,499	17,580	100,079
Services transferred over time	4,408	340	4,748
<b>Total revenue from contracts with customers</b>	<b>86,907</b>	<b>17,920</b>	<b>104,827</b>

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

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 3. Revenue from contracts with customers (continued)

### 3.2 Contract balances

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Trade receivables (refer to note 11)	22,705	16,486
Contract assets	135	200
Contract liabilities	(395)	(283)

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 2021, the unsatisfied performance obligations per each segment as presented below.

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Shipping and handling	395	200
<b>Total Revenue from contracts with customers</b>	<b>395</b>	<b>200</b>

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 two customers who account for 32% (2020: 30%) and 12% (2020: 13%) of total external revenue. These customers are in the Australian operating segment.

In thousands of dollars	For the year ended 30 June 2021		
	Australia	Overseas	Total
<b>Revenue:</b>			
Sales to external customers	86,907	17,920	104,827
Inter-segment sales	5,450	–	5,450
Total segment revenue	92,357	17,920	110,277
Inter-segment elimination			(5,450)
<b>Total consolidated revenue</b>			<b>104,827</b>
<b>Segment net operating profit after tax</b>	<b>9,674</b>	<b>2,136</b>	<b>11,810</b>
Interest income	1	5	6
Interest expense	760	347	1,107
Depreciation	1,880	325	2,205
Share of profit of joint venture	–	2,355	2,355
Income tax expense	3,415	202	3,617
<b>Segment assets</b>	<b>69,097</b>	<b>17,001</b>	<b>86,098</b>
Capital expenditure	1,972	120	2,092
<b>Segment liabilities</b>	<b>24,343</b>	<b>5,353</b>	<b>29,696</b>

In thousands of dollars	For the year ended 30 June 2020		
	Australia	Overseas	Total
<b>Revenue:</b>			
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)
<b>Total consolidated revenue</b>			<b>110,719</b>
<b>Segment net operating profit after tax</b>	<b>7,323</b>	<b>1,378</b>	<b>8,701</b>
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
<b>Segment assets</b>	<b>68,786</b>	<b>19,706</b>	<b>88,492</b>
Capital expenditure	2,097	908	3,005
<b>Segment liabilities</b>	<b>31,476</b>	<b>6,015</b>	<b>37,491</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 4. Operating Segments (continued)

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>i) Segment revenue reconciliation to the statement of comprehensive income</b>		
Total segment revenue	110,277	117,034
Inter-segment sales elimination	(5,450)	(6,315)
<b>Total revenue</b>	<b>104,827</b>	<b>110,719</b>

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 2021	Year ended 30 June 2020
Australia	74,508	80,397
Indonesia	21,946	18,022
Thailand	2,476	3,735
Other foreign countries	5,897	8,565
<b>Total revenue</b>	<b>104,827</b>	<b>110,719</b>

### 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 2021	Year ended 30 June 2020
<b>Reconciliation of segment net operating profit after tax to net profit before tax</b>		
Segment net operating profit after tax	11,810	8,701
Intercompany eliminations (net of tax)	(2,856)	(1,873)
Income tax expense	3,598	2,189
<b>Total net profit before tax per the statement of profit or loss</b>	<b>12,552</b>	<b>9,017</b>

### 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.

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Reconciliation of segment operating assets to total assets</b>		
Segment operating assets	86,098	88,492
Inter-segment eliminations	(2,635)	(2,453)
Deferred tax assets	51	62
Income tax receivable	375	496
Derivative assets	–	8
<b>Total assets per the statement of financial position</b>	<b>83,889</b>	<b>86,605</b>

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

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Australia	25,742	25,480
Overseas	2,996	3,246
<b>Total non-current assets</b>	<b>28,738</b>	<b>28,726</b>

### 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.

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Reconciliation of segment operating liabilities to total liabilities</b>		
Segment operating liabilities	29,696	37,491
Inter-segment eliminations	(1,468)	(687)
Income tax payable	1,708	1,785
Employee benefit liabilities	3,610	3,581
Deferred tax liabilities	1,929	1,855
<b>Total liabilities per the statement of financial position</b>	<b>35,475</b>	<b>44,025</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 5. Other income and expenses

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(a) Other (income) / expenses</b>		
Foreign exchange loss / (gain)	12	459
Other Income	(45)	(6)
	<b>(33)</b>	<b>453</b>
<b>(b) Finance (income) and costs</b>		
Bank interest and borrowing costs	1,107	1,231
<b>Total finance costs</b>	<b>1,107</b>	<b>1,231</b>
Bank interest	(6)	(42)
Total finance income	(6)	(42)
<b>(c) Depreciation and costs of inventories included in statement of comprehensive income</b>		
Depreciation*	2,205	2,049
Cost of inventories	64,242	69,028
Provision for inventory	(18)	127
<b>Cost of inventories recognised as an expense</b>	<b>64,224</b>	<b>69,155</b>
<b>(d) Employee benefits expense*</b>		
Wages and salaries	12,677	14,013
Superannuation costs	1,090	1,023
Expense of share-based payments	271	702
	<b>14,038</b>	<b>15,738</b>

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

## 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 2020, 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.

In June 2021, it was agreed that Bisalloy would increase their contribution to registered capital to ensure both parties had a 50% share in equity. Bisalloy's contribution increased from US\$2.5m to US\$3.5m, representing a 50% ownership of the equity and a continuation of the 50% share in the operating result of the joint venture. The increase was funded through distributable profits from 2020 calendar year that would have otherwise been fully paid to Bisalloy as a dividend in November 2021.

Dividends of \$1,751,417 (2020:\$0) were received from the JV during the year.

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Joint venture's statement of financial position:</b>		
Current assets, including cash of \$2,650,978 (2020: \$2,541,566)	25,411	23,917
Non-current assets	33	45
Current liabilities	(12,242)	(9,506)
<b>Equity</b>	<b>13,202</b>	<b>14,456</b>
<b>Joint ventures revenue and profit:</b>		
Revenue	81,421	61,896
Expenses	(74,978)	(57,330)
Finance (expense) / income	(131)	(189)
Profit before income tax	6,312	4,377
Income tax	(1,602)	(1,072)
Profit for the year	4,710	3,305
<b>Group's share of profit</b>	<b>2,355</b>	<b>1,653</b>
<b>Carrying amount of the investment</b>	<b>6,601</b>	<b>6,554</b>

The joint venture has no capital commitments or contingent liabilities at 30 June 2021 (2020: None).

## 7. Income tax

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(a) Income Tax Expense</b>		
The major components of income tax expense are:		
<b>Income Statement</b>		
<b>Current income tax</b>		
Current income tax charge	3,404	3,180
Adjustments in respect of current income tax of previous years	15	(466)
	<b>3,419</b>	<b>2,714</b>
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	124	(551)
Adjustments in respect of current income tax of previous years	55	26
	<b>179</b>	<b>(525)</b>
<b>Income tax expense</b>	<b>3,598</b>	<b>2,189</b>
The income tax expense for the period is disclosed as follows:		
Income tax expense attributable to continuing operations	3,598	2,189
	<b>3,598</b>	<b>2,189</b>
<b>(b) Amounts charged or credited directly to equity</b>		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Actuarial losses and gains	(2)	–
Change in tax rates in foreign jurisdictions	95	–
Net gain on revaluation of land and buildings and derivative assets	–	(910)
<b>Income tax expense reported in equity</b>	<b>93</b>	<b>(910)</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 7. Income tax (continued)

### (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 2021	Year ended 30 June 2020
Accounting profit before tax	12,552	9,017
At the Group's statutory income tax rate of 30% (2020: 30%)	3,765	2,705
Consolidation adjustment to prior year CFC temporary tax difference	–	–
Income assessable for tax purposes	76	91
Expenditure not allowable for tax purposes	204	399
De-recognition of foreign income tax credits	313	121
Foreign tax credits allowed	(71)	(83)
Income not assessable for tax purposes	–	(23)
Share of profit of equity-accounted investees reported net of tax	(707)	(496)
Effect of tax rates in foreign jurisdictions	(52)	(59)
Adjustments in respect of current income tax of previous years	70	(466)
<b>Income tax expense on pre-tax net profit</b>	<b>3,598</b>	<b>2,189</b>

In thousands of dollars	Consolidated			
	Net DTA		Net DTL	
	Year ended 30 June 2021	Year ended 30 June 2020	Year ended 30 June 2021	Year ended 30 June 2020
<b>(d) Deferred tax assets (DTA) and liabilities (DTL)</b>				
The balance comprises of temporary differences attributable to:				
Property, plant and equipment	–	–	(3,254)	(3,355)
Employee entitlement provisions	42	47	833	881
Other provisions and accruals	9	15	394	499
Inventory	–	–	240	223
Other	–	–	(142)	(101)
Derivatives	–	–	–	(2)
<b>Deferred tax assets and liabilities reflected in the balance sheet</b>	<b>51</b>	<b>62</b>	<b>(1,929)</b>	<b>(1,855)</b>
<b>Movements</b>				
Opening balance at 1 July:	62	–	(1,855)	(1,408)
Charged / (credited) to profit or loss	(11)	62	(167)	463
Charged / (credited) to other comprehensive income	–	–	93	(910)
<b>Closing balance at 30 June:</b>	<b>51</b>	<b>62</b>	<b>(1,929)</b>	<b>(1,855)</b>

Of the DTA and DTL's recognised for the Group the following amounts are attributed to the Thailand and Indonesian tax jurisdiction at 30 June 2021, the balance relates to the Australian tax jurisdiction:

In thousands of dollars	Net DTA / (DTL)	
	Thailand 2021 \$'000	Indonesia 2020 \$'000
<b>The balance comprises of temporary differences attributable to:</b>		
Property, plant and equipment	–	(354)
Employee entitlement provisions	42	156
Other provisions and accruals	9	98
<b>Deferred tax assets and liabilities reflected in the balance sheet</b>	<b>51</b>	<b>(100)</b>

**(e) Current income tax at 30 June 2021 relates to the following:**

The current tax payable for the Group of \$1,707,824 (2020: \$1,785,399) represents the amount of income tax payable in respect of the current and prior periods. The current tax payable of the Group is made up of \$1,590,351 payable in the Australian jurisdiction and \$117,472 in the Thailand tax jurisdiction.

The current tax receivable of \$78,255 (2020: \$495,931) and the non-current tax receivable of \$296,780 (2020: \$0) for the Group represents the amount of income tax receivable in respect of the current and prior periods. The amount of tax receivable is entirely attributed to the Indonesian tax jurisdiction.

The Group 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 2021, 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 (2020: Nil).

**(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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 8. Earnings per share (EPS)

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>The following reflects the income and share data used in the basic and diluted earnings per share computations:</b>		
Net profit for the period	8,954	6,828
Net profit attributable to non-controlling interest holders	(144)	(92)
<b>Net profit attributable to equity holders of the parent (used in calculating basic and diluted EPS)</b>	<b>8,810</b>	<b>6,736</b>

In thousands of dollars	Thousands	Thousands
<b>Weighted average number of ordinary shares for basic earnings per share</b>	45,720	45,168
<b>Effects of dilution:</b>		
Performance rights	1,894	1,836
<b>Adjusted weighted average number of ordinary shares for diluted earnings per share</b>	<b>47,614</b>	<b>47,004</b>
<b>Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share</b>	<b>79</b>	<b>15</b>

## 9. Dividends paid or proposed

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(a) Dividends paid during the year</b>		
Interim	–	–
Final	2,271	1,790
	<b>2,271</b>	<b>1,790</b>
<b>(b) Proposed dividend (not recognised as a liability as at 30 June)</b>		
<b>Final dividend for 2021: 9.0 cents per share (2020: 5.0 cents per share)</b>	<b>4,137</b>	<b>2,271</b>
<b>(c) Franking credit balance</b>		
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%	6,971	4,832
Franking credits that will arise from the payment of tax as at the end of the financial year	1,590	1,730
Franking debits that will arise from the payment of dividends as at the end of the financial year	(1,773)	(973)
	<b>6,788</b>	<b>5,589</b>

## 10. Cash and cash equivalents

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(a) Reconciliation of cash</b>		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank	2,345	669
Cash at hand	2	3
<b>Total</b>	<b>2,347</b>	<b>672</b>
<b>(b) Reconciliation of net profit after income tax to net cash provided by operations</b>		
Net profit after tax	8,954	6,828
<b>Non-cash items</b>		
Depreciation and amortisation	2,205	2,049
Share-based payments expense	271	702
Provision for stock obsolescence	(18)	127
Provision for doubtful debts	(41)	–
Profit on sale of fixed assets	–	–
Share of profit of a joint venture	(2,355)	(1,653)
Net fair value change on derivatives	41	(8)
(Increase)/decrease in foreign currency translation	(904)	(170)
<b>Change in operating assets and liabilities</b>		
(Increase)/decrease in receivables and other assets	(6,392)	834
Decrease/(increase) in inventories	10,309	(6,365)
Increase/(decrease) in tax assets and liabilities	225	747
(Increase)/decrease in prepayments	(14)	175
(Decrease)/increase in trade creditors	(1,606)	(5,316)
Increase/(decrease) in employee benefit liabilities	225	505
Settlement of share rights	–	(456)
<b>Net cash from operating activities</b>	<b>10,900</b>	<b>(2,001)</b>
<b>(c) Disclosure of financing facilities</b>		
Refer note 19.2		
<b>(d) Reconciliation of movements of liabilities to cash flows arising from financing activities</b>		
<b>Changes from financing cash flows</b>		
Proceeds from loans and borrowings	–	5,298
Repayment of borrowings	(6,979)	(466)
<b>Net decrease in borrowings</b>	<b>(6,979)</b>	<b>4,832</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 11. Trade and other receivables

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Current</b>		
Trade receivables	22,939	16,761
Less: Allowance for expected credit losses	(234)	(275)
	<b>22,705</b>	<b>16,486</b>
Other	827	257
Goods and services tax	–	288
	<b>827</b>	<b>545</b>
	<b>23,532</b>	<b>17,031</b>

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 2021	Year ended 30 June 2020
<b>Current</b>		
Raw materials	2,007	3,121
Finished goods	25,929	35,107
	<b>27,936</b>	<b>38,228</b>

## 13. Other current assets

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Current</b>		
Prepayments	1,072	1,182
	<b>1,072</b>	<b>1,182</b>
<b>Non-current</b>		
Prepayments	122	–
	<b>122</b>	<b>–</b>

## 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
<b>Consolidated</b>				
<b>Year ended 30 June 2021</b>				
At 1 July 2020, net of accumulated depreciation and impairment	14,454	–	7,548	22,002
Additions	112	–	1,636	1,748
Disposals	–	–	–	–
Revaluation adjustment	–	–	–	–
Depreciation and amortisation charge for the year	(389)	–	(1,816)	(2,205)
Exchange adjustment	(279)	–	(62)	(341)
<b>At 30 June 2021, net of accumulated depreciation and impairment</b>	<b>13,898</b>	<b>–</b>	<b>7,306</b>	<b>21,204</b>
<b>At 1 July 2020</b>				
Cost or fair value	15,081	34	24,853	39,968
Accumulated depreciation and impairment	(627)	(34)	(17,305)	(17,966)
<b>Net carrying value</b>	<b>14,454</b>	<b>–</b>	<b>7,548</b>	<b>22,002</b>
<b>At 30 June 2021</b>				
Cost or fair value	14,915	34	26,272	41,221
Accumulated depreciation and impairment	(1,017)	(34)	(18,966)	(20,017)
<b>Net carrying value</b>	<b>13,898</b>	<b>–</b>	<b>7,306</b>	<b>21,204</b>

In thousands of dollars	Freehold land and buildings	Leasehold improvements	Plant and equipment	Total
<b>Consolidated</b>				
<b>Year ended 30 June 2020</b>				
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
<b>At 30 June 2020, net of accumulated depreciation and impairment</b>	<b>14,454</b>	<b>–</b>	<b>7,548</b>	<b>22,002</b>
<b>At 1 July 2019</b>				
Cost or fair value	12,953	34	22,717	35,704
Accumulated depreciation and impairment	(2,017)	(34)	(15,509)	(17,560)
<b>Net carrying value</b>	<b>10,936</b>	<b>–</b>	<b>7,208</b>	<b>18,144</b>
<b>At 30 June 2020</b>				
Cost or fair value	15,081	34	24,853	39,968
Accumulated depreciation and impairment	(627)	934	(17,305)	(17,966)
<b>Net carrying value</b>	<b>14,454</b>	<b>–</b>	<b>7,548</b>	<b>22,002</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 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 2021, 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. The directors also determined that there was no significant change in fair value for its Australian 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:

In thousands of dollars	Consolidated	
	2021 Freehold land and buildings	2020 Freehold land and buildings
Cost	7,048	6,787
Accumulated depreciation and impairment	(2,249)	(1,980)
<b>Net carrying amount</b>	<b>4,799</b>	<b>4,807</b>

### (d) Leased assets

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

In thousands of dollars	Note	Consolidated	
		2021	2020
Property, plant and equipment owned		20,577	21,518
Right-of-use assets		627	484
	14(a)	<b>21,204</b>	<b>22,002</b>

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

In thousands of dollars	Consolidated			Total
	Freehold land and buildings	Leasehold improvements	Plant an equipment	
<b>Balance at 1 July 2020</b>	280	–	204	484
Additions	46	–	451	497
Depreciation charge for the year	(118)	–	(210)	(328)
Exchange adjustment	(26)	–	–	(26)
<b>Balance at 30 June 2021</b>	<b>182</b>	<b>–</b>	<b>445</b>	<b>627</b>

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

## 15. Intangible Assets

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Cost	514	170
Accumulated depreciation and impairment	–	–
<b>Net carrying amount</b>	<b>514</b>	<b>170</b>

The Group is currently investing in the further development of their existing enterprise resource planning system. These developments were completed in July 2021 and the new system is currently scheduled to go-live in September 2021 pending the end of the Covid lockdown in the Greater Sydney Area.

## 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 2021 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 Bivalloy at no cost to the employee or the equivalent in cash at the Board's discretion.

During the 30 June 2021 financial year, 1,050,000 share rights were awarded to executives under this scheme.

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 5.1% dividend yield for Grant 9, a 4.5% dividend yield for Grant 11, a 3.9% dividend yield for Grants 12, 13, 14 and 15 and a 4.9% dividend yield for Grant 16 (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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 16. Share-based payments plans (continued)

The following table lists the valuation outputs for outstanding grants as at 30 June 2021:

In thousands of dollars	Expiry term of three years	
	Value of one right	Proportion of rights that are outstanding
Grant 9	\$0.82	27.59%
Grant 11	\$0.79	77.59%
Grant 13	\$0.97	94.26%
Grant 14	\$0.85	94.26%
Grant 15	\$0.82	94.26%
Grant 16	\$1.16	94.26%

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 Vested	Grant 9 Vested	Grant 10 Forfeited	Grant 11 Unvested	Grant 12 Forfeited	Grant 13 Unvested	Grant 14 Unvested	Grant 15 Unvested	Grant 16 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	1 Jul 2020	06 Jul 2020	06 Jul 2020	
Expiry date	25 Feb 2020	18 Oct 2020	30 Jun 2021	30 Jun 2021	04 Nov 2021	25 Feb 2022	10 Nov 2022	30 Jun 2023	5 July 2023	5 Jul 2023	
Exercise price	\$1.11	\$1.11	\$1.03	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Balance at 30 June 2019</b>	<b>327,904</b>	<b>262,318</b>	<b>333,333</b>	<b>83,333</b>	<b>166,667</b>	<b>833,333</b>	-	-	-	-	<b>2,006,888</b>
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)
<b>Balance at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>333,333</b>	<b>-</b>	<b>166,667</b>	<b>833,333</b>	<b>400,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,733,333</b>
<b>Exercisable at 30 June 2020</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
New grants in the year	-	-	-	-	-	-	-	200,000	250,000	600,000	1,050,000
Exercised in the year	-	-	(200,000)	-	-	-	-	-	-	-	(200,000)
Forfeited during the year	-	-	(22,976)	-	(11,487)	(833,333)	(22,976)	(11,488)	(14,360)	(34,464)	(951,085)
<b>Balance at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>110,357</b>	<b>-</b>	<b>155,179</b>	<b>-</b>	<b>377,024</b>	<b>188,512</b>	<b>235,640</b>	<b>565,536</b>	<b>1,632,248</b>
<b>Exercisable at 30 June 2021</b>	<b>-</b>	<b>-</b>	<b>110,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110,357</b>

The weighted average remaining contractual life for the share rights outstanding as at 30 June 2021 is 1.33 years (2020: 1.70 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 \$271,285 (2020: \$702,187).

## 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 2021	Year ended 30 June 2020
<b>Current</b>		
Trade payables	15,153	16,764
Other payables and accruals	2,428	2,972
Goods and services tax	256	–
	<b>17,837</b>	<b>19,736</b>

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 2021	Year ended 30 June 2020
<b>Financial assets at amortised cost</b>		
Trade receivables (note 11)	22,705	16,486
<b>Total financial assets</b>	<b>22,705</b>	<b>16,486</b>
Total current	22,705	16,486
Total non-current	–	–

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 19. Financial assets and financial liabilities (continued)

### 19.2 Financial liabilities

#### Interest-bearing loans and borrowings

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Current</b>		
Borrowings secured by fixed and floating charges	9,315	10,552
<b>Non-current</b>		
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.

#### Assets pledged as security

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

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
At reporting date, the following financing facilities had been negotiated and were available:		
<b>Total facilities</b>		
– invoice finance facility (incl. bank guarantees) (i)	12,000	12,000
– bank bill facility (i)	6,417	6,884
– trade finance facility (i)	9,000	9,000
– Bisalloy Thailand facility (ii)	125	141
– PT Bima facility (iii)	4,072	5,282
	<b>31,614</b>	<b>33,307</b>
<b>Facilities used at reporting date</b>		
<b>Current</b>		
– invoice finance facility	244	1,855
– trade finance facility	–	4,817
– PT Bima facility	2,654	3,880
– bank bill facility	6,417	–
	<b>9,315</b>	<b>10,552</b>
<b>Non-current</b>		
– bank bill facility	–	5,742
	<b>–</b>	<b>5,742</b>
<b>Total facilities used at reporting date</b>	<b>9,315</b>	<b>16,294</b>

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Facilities unused at reporting date</b>		
– invoice finance facility (incl. bank guarantees)	11,756	10,145
– bank bill facility	–	1,142
– trade finance facility	9,000	4,183
– Bisalloy Thailand facility	125	141
– PT Bima facility	1,419	1,402
<b>Total facilities unused at reporting date</b>	<b>22,300</b>	<b>17,013</b>

(i) Bisalloy Steel Group Limited's facility with Westpac Banking Corporation 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 3.53% (2020: 4.28%).

(ii) The bank overdraft facility available to its Thailand based subsidiary is secured by a guarantee from Bisalloy Steel Group Limited.

(iii) The revolver facility and Letter of Credit facility available to its Indonesian based subsidiary are secured by a charge over the assets of the Indonesian subsidiary and mature on 30 September 2021.

## Other financial liabilities

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Other financial liabilities at amortised cost, other than interest-bearing loans and borrowings		
Trade and other payables (note 18)	17,837	19,736
<b>Total financial liabilities</b>	<b>17,837</b>	<b>19,736</b>
Total current	17,837	19,736
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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 19. Financial assets and financial liabilities (continued)

### 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.

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, and 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 2021

In thousands of dollars	Trade Receivables						Total
	Current	<=30 days	30-60 days	61-90 days	>91 days	>91 days*	
Expected credit loss rate	0.03%	0.21%	0.59%	1.54%	6.41%	90.09%	1.02%
Estimated total gross carrying amount at default	20,688	1,436	169	65	359	222	22,939
Expected Credit Loss	6	3	1	1	23	200	234

### 30 June 2020

In thousands of dollars	Trade Receivables						Total
	Current	<=30 days	30-60 days	61-90 days	>91 days	>91 days*	
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

\* 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 2021 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 \$65.3m (2020: \$65.0m).

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 2021.

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 2021.

In thousands of dollars	Consolidated	
	2021	2020
6 months or less	27,979	30,947
6-12 months	121	397
1-5 years	404	6,125
Over 5 years	–	–
	<b>28,504</b>	<b>37,469</b>

## 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 19. Financial assets and financial liabilities (continued)

In thousands of dollars	<=6 months	6-12 months	1-5 years	>5 years	Total
<b>Year ended 30 June 2021</b>					
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2,347	–	–	–	2,347
Trade and other receivables	23,532	–	–	–	23,532
Contract assets	135	–	–	–	135
<b>Derivatives – gross settled</b>					
Inflows	–	–	–	–	–
Outflows	–	–	–	–	–
	26,014	–	–	–	26,014
<b>Financial liabilities</b>					
Trade and other payables	17,837	–	–	–	17,837
Interest bearing loans and borrowings	9,551	–	–	–	9,551
Contract liabilities	395	–	–	–	395
Lease liabilities	163	121	404	–	688
<b>Derivatives – gross settled</b>					
Inflows	33	–	–	–	33
Outflows	–	–	–	–	–
	27,979	121	404	–	28,504
<b>Net inflow/(outflow)</b>	<b>(1,965)</b>	<b>(121)</b>	<b>(404)</b>	<b>–</b>	<b>(2,490)</b>

In thousands of dollars	<=6 months	6-12 months	1-5 years	>5 years	Total
<b>Year ended 30 June 2020</b>					
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	672	–	–	–	672
Trade and other receivables	17,031	–	–	–	17,031
Contract assets	200	–	–	–	200
<b>Derivatives – gross settled</b>					
Inflows	8	–	–	–	8
Outflows	–	–	–	–	–
	17,911	–	–	–	17,911
<b>Financial liabilities</b>					
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
<b>Derivatives – gross settled</b>					
Inflows	–	–	–	–	–
Outflows	–	–	–	–	–
	30,947	397	6,125	–	37,469
<b>Net inflow/(outflow)</b>	<b>(13,036)</b>	<b>(397)</b>	<b>(6,125)</b>	<b>–</b>	<b>(19,558)</b>

## 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.

In thousands of dollars	Post tax profit Higher / (lower)		Effect on equity Higher / (lower)	
	2021	2020	2021	2020
<b>Sensitivity to USD</b>				
<b>Consolidated</b>				
AUD/USD +10%	(144)	(119)	-	-
AUD/USD -10%	177	146	-	-

## 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 2021, the Group had the following mix of financial assets and liabilities exposed to variable interest rates that are not designated in cash flow hedges.

In thousands of dollars	Consolidated	
	2021	2020
<b>Financial Assets</b>		
Cash and cash equivalents less cash on hand	2,345	669
<b>Financial Liabilities</b>		
Bank loans	(9,315)	(16,294)
<b>Net exposure</b>	<b>(6,970)</b>	<b>(15,625)</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 19. Financial assets and financial liabilities (continued)

### 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.

In thousands of dollars	Post tax profit Higher / (lower)		Effect on equity Higher / (lower)	
	2021	2020	2021	2020
<b>Consolidated</b>				
+1% (100 basis points)	(49)	(109)	–	–
- 1% (100 basis points)	49	109	–	–

### 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.

### 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 2021 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.

In thousands of dollars	Year ended 30 June 2021				Year ended 30 June 2020			
	Quoted market price (Level 1)	Valuation technique- non market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique- non market observable inputs (Level 2)	Valuation technique- non market observable inputs (Level 3)	Total
<b>Consolidated</b>								
<b>Assets</b>								
Land & buildings	–	14,176	–	14,176	–	14,176	–	14,176
Foreign exchange contracts	–	–	–	–	–	8	–	8
	–	<b>14,176</b>	–	<b>14,176</b>	–	<b>14,184</b>	–	<b>14,184</b>
<b>Liabilities</b>								
Foreign exchange contracts	–	33	–	33	–	–	–	–
	–	<b>33</b>	–	<b>33</b>	–	–	–	–

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.

## 20. Employee benefit liabilities

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Current</b>		
Employee entitlements	1,883	1,996
Share based payment	152	–
Defined benefit plan	137	23
	<b>2,172</b>	<b>2,019</b>
<b>Non-current</b>		
Employee entitlements	358	317
Share based payment	232	290
Defined benefit plan	848	955
	<b>1,438</b>	<b>1,562</b>

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:

	2021 %	2020 %
Discount rate	7.5	7.5
Future salary increases	8.0	8.0

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 21. Lease liabilities

### a) Maturity analysis of contractual cash flows

In thousands of dollars	Consolidated For the year ended 30 June 2021		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	284	(22)	262
Between one and five years	404	(18)	386
More than five years	–	–	–
	<b>688</b>	<b>(40)</b>	<b>648</b>

In thousands of dollars	Consolidated For the year ended 30 June 2020		
	Future minimum lease payments	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	–	–	–
	<b>528</b>	<b>(37)</b>	<b>491</b>

### b) Amounts recognised in profit or loss

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Interest on lease liabilities	33	21
Expenses relating to short-term leases or low-value assets	106	122
	<b>139</b>	<b>143</b>

## 22. Derivative financial instruments

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>Current Assets</b>		
Forward currency contracts – Fair value hedges	–	8
	<b>–</b>	<b>8</b>
<b>Current Liabilities</b>		
Forward currency contracts – Fair value hedges	33	–
	<b>33</b>	<b>–</b>

### 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 2021, 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 0k (2020: \$EUR 468k) and \$AUD 4.7m (2020: \$AUD 2.4m). 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:

In thousands of dollars	Average exchange rate			
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
Buy EUR\$ Sell AUD \$	–	6	–	0.6155
Buy AUD\$ Sell IDR \$	(35)	–	11,297.0000	–
Buy AUD\$ Sell THB \$	2	2	24.3000	21.3150

## 23. Contributed equity and reserves

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(a) Ordinary shares, issued and fully paid</b>	<b>12,886</b>	<b>12,318</b>

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	2021 \$'000	Number of Shares	2020 \$'000
<b>(b) Movements in shares on issue</b>				
Balance at 1 July	45,418,007	12,318	44,751,957	12,000
New shares issued under Dividend Reinvestment Plan	449,844	568	305,355	318
Exercise of performance rights	100,000	–	360,695	–
<b>Balance at 30 June</b>	<b>45,967,851</b>	<b>12,886</b>	<b>45,418,007</b>	<b>12,318</b>

### (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 2021 and 2020.

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 2021 and 2020 were as follows:

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 23. Contributed equity and reserves (continued)

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Total borrowings	9,315	16,294
Less cash and cash equivalents	(2,347)	(672)
Net debt	6,968	15,622
Total equity	48,414	42,580
<b>Total capital</b>	<b>55,382</b>	<b>58,202</b>
Gearing ratio	13%	27%

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

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(d) Non-controlling interests</b>		
Balance at 1 July	3,880	4,149
(Loss) / gain on translation of overseas controlled entities	(418)	49
Revaluation of land and buildings	38	–
Share of net profit for the year	144	92
Dividends paid	(187)	(410)
<b>Balance at 30 June</b>	<b>3,457</b>	<b>3,880</b>

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
<b>(e) Retained earnings</b>		
Balance at 1 July	18,527	13,536
Net profit for the year	8,810	6,736
Depreciation transfer for revaluation of buildings	50	45
Dividends paid	(2,271)	(1,790)
<b>Balance at 30 June</b>	<b>25,116</b>	<b>18,527</b>

In thousands of dollars	Consolidated						Total
	Employee equity benefits reserve	Foreign currency translation reserve	Cash flow hedge reserve	Asset revaluation reserve	Equity settlement reserve	Other reserves	
<b>(f) Reserves</b>							
<b>At 30 June 2019</b>	<b>348</b>	<b>1,085</b>	<b>–</b>	<b>4,103</b>	<b>6</b>	<b>(37)</b>	<b>5,505</b>
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
<b>At 30 June 2020</b>	<b>302</b>	<b>1,150</b>	<b>–</b>	<b>6,180</b>	<b>316</b>	<b>(93)</b>	<b>7,855</b>
Currency translation differences	–	(991)	–	–	–	–	(991)
Share-based payments	75	–	–	–	–	–	75
Settlement of performance rights	(82)	–	–	–	82	–	–
Net loss on cash flow hedge	–	–	–	–	–	–	–
Depreciation transfer for revaluation of buildings	–	–	–	(50)	–	–	(50)
Actuarial gains/(losses)	–	–	–	–	–	9	9
Revaluation of land and buildings	–	–	–	57	–	–	57
<b>At 30 June 2021</b>	<b>295</b>	<b>159</b>	<b>–</b>	<b>6,187</b>	<b>398</b>	<b>(84)</b>	<b>6,955</b>

## 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.

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 24. Commitments and contingencies

In thousands of dollars	Consolidated	
	30 June 2021	30 June 2020
<b>(a) Capital expenditure commitments</b>		
Estimated capital expenditure contracted for at balance date, but not provided for payable:		
Not later than one year	208	564
Later than one year, but not later than five years	–	7
	<b>208</b>	<b>571</b>
These capital expenditure commitments relate to office refurbishment and plant upgrade works.		
<b>(b) Operating lease expenditure commitments</b>		
Not later than one year	13	24
Later than one year, but not later than five years	–	–
Later than five years	–	–
	<b>13</b>	<b>24</b>

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 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:

In thousands of dollars		Consolidated	
		2021	2020
<b>Director</b>	<b>Director – related entity</b>		
P Cave	Anchorage Capital Partners Pty Ltd	25,000	150,000

The above amounts were paid in relation to P 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 2021 is \$0 (2020: \$0).

## Investments

In thousands of dollars	Country of incorporation	Percentage of equity interest held by the Consolidated entity 30 June 2021 %	Percentage of equity interest held by the Consolidated entity 30 June 2020 %
<b>Name of parent</b>			
Bisalloy Steel Group Limited	Australia		
<b>Controlled entities</b>			
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 <sup>^</sup>	United States of America	100.00	100.00
<b>Joint venture</b>			
Bisalloy Shangang (Shandong) Steel Plate Co., Limited*	People's Republic of China	50.00	41.67

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

<sup>^</sup> This entity continues to be dormant

### 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 2021	Closed Group 30 June 2020
<b>i. Consolidated Income Statement</b>		
Profit from continuing operations before income tax	12,470	8,657
Income tax expense	(3,415)	(2,283)
Profit after income tax	9,055	6,374
Accumulated profits at the beginning of the year	10,730	6,108
Depreciation transfer for revaluation of buildings	44	38
Dividends provided for or paid	(2,271)	(1,790)

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 25. Related parties (continued)

In thousands of dollars	Closed Group 30 June 2021	Closed Group 30 June 2020
<b>Accumulated profits at the end of the year</b>	<b>17,558</b>	<b>10,730</b>
<b>ii. Consolidated Balance Sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	124	101
Trade and other receivables	21,161	13,239
Inventories	20,630	27,662
Contract assets	135	200
Other financial assets	898	1,043
<b>Total current assets</b>	<b>42,948</b>	<b>42,245</b>
<b>Non-current assets</b>		
Investments	3,175	3,788
Property, plant and equipment	18,504	18,755
Intangible assets	514	170
Other financial assets	122	–
<b>Total non-current assets</b>	<b>22,315</b>	<b>22,713</b>
<b>Total assets</b>	<b>65,263</b>	<b>64,958</b>
<b>Current liabilities</b>		
Trade and other payables	16,793	18,533
Income tax payable	1,590	1,730
Interest bearing liabilities	6,661	6,672
Employee benefit liabilities	2,035	1,996
Lease liabilities	137	117
Contract liabilities	395	283
<b>Total current liabilities</b>	<b>27,611</b>	<b>29,331</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	–	5,742
Lease liabilities	324	90
Employee benefit liabilities	590	607
Deferred tax liability	2,070	1,946
<b>Total non-current liabilities</b>	<b>2,984</b>	<b>8,385</b>
<b>Total liabilities</b>	<b>30,595</b>	<b>37,716</b>
<b>NET ASSETS</b>	<b>34,668</b>	<b>27,242</b>
<b>Shareholders' equity</b>		
Contributed equity	12,886	12,318
Reserves	4,224	4,194
Accumulated profits	17,558	10,730
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>34,668</b>	<b>27,242</b>

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 and purchase from	Amounts owed by related parties	Amounts owed to related parties
<b>Related Party</b>					
Bisalloy Shangang Steel Plate (Shandong) Co., Limited	2021	–	172	679	–
	2020	–	1,492	19	–

#### 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 2021 were \$171,562 (2020: \$1,492,000).

Outstanding balances at year-end are unsecured.

#### Compensation of key management personnel of the Group

In thousands of dollars	Consolidated	
	Year ended 30 June 2021	Year ended 30 June 2020
Short-term employee benefits	2,536,006	2,318,205
Post employment benefits	144,985	152,445
Other long-term benefits	61,473	68,539
Termination benefits	–	30,641
Other	200,000	–
Share-based payments	271,285	702,187
<b>Total compensation paid to key management personnel</b>	<b>3,213,749</b>	<b>3,272,017</b>

## 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 2021	Year ended 30 June 2020
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	137
– tax compliance and advice	11	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	60	66
– tax compliance and advice		
	<b>208</b>	<b>278</b>

# Notes to the Consolidated Financial Statements (continued)

for the year ended 30 June 2021

## 28. Parent entity information

In thousands of dollars	30 June 2021	30 June 2020
<b>Information relating to Bisalloy Steel Group Limited:</b>		
Current assets	613	–
<b>Total assets</b>	<b>6,576</b>	<b>7,345</b>
Current liabilities	1,590	1,730
<b>Total liabilities</b>	<b>1,590</b>	<b>4,762</b>
Issued capital	12,886	12,318
Accumulated losses	(7,936)	(9,771)
Reserves	36	36
<b>Total shareholder's equity</b>	<b>4,986</b>	<b>2,583</b>
Profit of the parent entity	4,107	900
<b>Total comprehensive income of the parent entity</b>	<b>4,107</b>	<b>900</b>

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 \$27M 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 2021

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 2021 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 2021.

On behalf of the Board



**Glenn Cooper**

Managing Director

26 August 2021

# Independent Auditor's Report

for the year ended 30 June 2021



## 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 2021 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 2021;
- 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
- Directors' Declaration.

The **Group** consists of 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.

KPMG, an Australian partnership and a member firm of the KPMG global organisation of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved. The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organisation. Liability limited by a scheme approved under Professional Standards Legislation.



## 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 from contracts with customer (\$104.8 million)

Refer to Note 3 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>Recognition of revenue is a key audit matter due to the:</p> <ul style="list-style-type: none"> <li>• Significance of revenue to the financial statements; and</li> <li>• 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.</li> </ul> <p>We also focused on the Group's assessment of the amount of revenue recognised from sale of goods with 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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the Group's process for revenue recognition from sale of goods and services of shipping and handling.</li> <li>• 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.</li> <li>• Selecting a sample of revenue transactions across varying contract arrangements applicable to the Group: <ul style="list-style-type: none"> <li>- 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;</li> <li>- during the year, we checked revenue transactions to sales order, approved dispatch notes or/and bank statement cash receipts. We obtained direct sales confirmation from a sample of customers;</li> <li>- 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.</li> </ul> </li> <li>• 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</li> </ul>

# Independent Auditor's Report (continued)

for the year ended 30 June 2021



	<p>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.</p> <ul style="list-style-type: none"><li>• Assessing the appropriateness of disclosures in the financial statements using our understanding obtained from our testing and against the requirements of the accounting standards.</li></ul>
--	--

## 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.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report and Remuneration Report. The Chairman and Managing Director's review, Review of Operations and Safety and ASX Additional Information are expected to be made available to us after the date of the Auditor's Report.

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;
- assessing the Group's ability to continue as a going concern. 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 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](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 2021, complies with *Section 300A* of the *Corporations Act 2001*.

KPMG

### 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 9 to 15 of the Directors' report for the year ended 30 June 2021.

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

Warwick Shanks

Partner

Wollongong

26 August 2021

# ASX Additional Information

for the year ended 30 June 2021

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 2021.

In thousands of dollars	Ordinary shares	
	Number of holders	Number of shares
<b>a. Distribution of equity securities</b>		
The number of shareholders, by size of holding in each class of share are:		
1 – 1,000	546	334,150
1,001 – 5,000	583	1,418,582
5,001 – 10,000	175	1,349,299
10,001 – 100,000	293	10,651,983
100,001 and over	48	32,213,837
<b>Total</b>	<b>1,645</b>	<b>45,967,851</b>
The number of shareholders holding less than a marketable parcel of shares based on a share price of \$1.20 at the date of this report are		
	138	31,584

There are 1,632,248 performance rights issued. Performance rights do not carry a right to vote.

In thousands of dollars	Listed ordinary shares	
	Number of shares	% of ordinary shares
<b>b. Twenty largest shareholders</b>		
The number of shareholders, by size of holding in each class of share are:		
1. BALRON NOMINEES PTY LTD	7,445,505	16.20
2. J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,950,494	12.94
3. GREIG & HARRISON PTY LTD	4,165,588	9.06
4. BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,971,838	6.47
5. EVELIN INVESTMENTS PTY LIMITED	1,349,330	2.94
6. NATIONAL NOMINEES LIMITED <DB A/C>	1,006,500	2.19
7. SOUTHERN STEEL INVESTMENTS PTY LIMITED	843,916	1.84
8. BRAZIL FARMING PTY LTD	783,496	1.70
9. MR MANFRED REIS + MRS EVELYN JEANETTE REIS <REIS PENSION&SUPER FUND A/C>	650,000	1.41
10. JETAN PTY LTD	549,999	1.20
11. RATHVALE PTY LIMITED	520,240	1.13
12. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	500,000	1.09
13. KILCONQUHAR SUPERANNUATION FUND PTY LTD <KILCONQUHAR SUPER FUND	423,000	0.92
14. MR NIGEL BURGESS + MRS YUKARI BURGESS <NENKIN SUPER FUND A/C>	414,557	0.90
15. VELKOV FUNDS MANAGEMENT PTY LTD <VICTOR VALUE FUND A/C>	400,000	0.87
16. HEATH SUPER (AUST) PTY LTD <HEATH SUPER FUND A/C>	384,937	0.84
17. BALKIN PTY LTD <BALKIN SUPER FUND A/C>	371,590	0.81
18. FINANCE ASSOCIATES PTY LTD <FINANCE ASSOCIATES PL SF A/C>	350,000	0.76
19. CORFAM PTY LTD	319,564	0.70
20. SENRAB (VIC) PTY LTD <ELDRIDGE S/F A/C>	310,468	0.68

In thousands of dollars	Number of shares	Fully paid
<b>c. Substantial shareholders</b>		
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, SOUTHERN STEEL INVESTMENTS PTY LIMITED, BALKIN PTY LTD <BALKIN SUPER FUND A/C>	8,661,011	18.84
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	5,950,494	12.94
GREIG & HARRISON PTY LTD	4,165,588	9.06
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,971,838	6.47

**d. Voting Rights:**

All ordinary shares carry one vote per share without restriction.

# Corporate Directory

for the year ended 30 June 2021

## Registered Office

18 Resolution Drive  
Unanderra NSW 2526

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

[www.bisalloy.com.au](http://www.bisalloy.com.au)

[companysecretary@bisalloy.com.au](mailto:companysecretary@bisalloy.com.au)

## Auditors

KPMG  
Level 7, 77 Market Street  
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](http://www.computershare.com)

## Legal Advisors

Workplace Advisory Group

473 Darling Street  
Balmain NSW 2041

Telephone: +61 (0)419 265 466

## Annual General Meeting

The Group will hold its 2021 Annual General Meeting at 11:00am on Wednesday, 24 November 2021. Copies of the annual report or further information can be obtained by emailing [companysecretary@bisalloy.com.au](mailto: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.



