

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Six months ended 31 December 2021 (“HY22”)
Results for announcement to the market

		Absolute Change		HY22 \$'000	HY21 \$'000
Profit attributable to members	Up	133.6%	to	7,648	3,274
Revenue	Up	17.1%	to	55,197	47,151
Profit before income tax from continuing operations	Up	138.4%	to	10,821	4,539
Profit after income tax	Up	131.8%	to	7,771	3,353

Dividends	Amount per share	Franked amount per share
<u>Half year ended 31 December 2021</u>		
Interim dividend	4.5c	100%
<u>Half year ended 31 December 2020</u>		
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	25 March, 2022	

	HY22	HY21
Other		
Net tangible asset backing per share	106.9 cps	84.7 cps

Explanation of Results

Please refer to the commentary in the attached half yearly report for an explanation of the results. This half yearly report should be read in conjunction with the most recent financial report. The consolidated annual financial statements of the Group as at and for the year ended 30 June 2021 are available upon request from the Company's registered office at 18 Resolution Drive, Unanderra, NSW or at www.bisalloy.com.au.

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BISALLOY STEEL GROUP LIMITED

A.B.N 22 098 674 545

CONDENSED CONSOLIDATED FINANCIAL REPORT

SIX MONTHS ENDED 31 December 2021

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Directors' Report

The directors of Bisalloy Steel Group Limited present their report together with the condensed consolidated financial statements for the six months ended 31 December 2021 and the review report thereon.

Directors

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

Name	Office	Appointment
Mr David Balkin AM	Non-Executive Chairman	from 27/11/2020
Mr Ian Greenyer	Non-Executive Director	from 27/11/2020
Mr Michael Gundy	Non-Executive Director Chief Executive Officer and Managing Director	from 27/11/2020 from 17/12/2021
Mr Glenn Cooper	Chief Executive Officer and Managing Director	from 07/07/2020 until 16/12/2021

Review of Operations

The operating results are summarised as follows:

	For the six months ended	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Revenue	55,197	47,151
Profit after income tax	7,771	3,353

Summary

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

Bisalloy has delivered a solid performance in H1 FY22, reflecting the foundations we have put in place to create a stronger and more resilient business. We've continued our reset of the business, installed new leadership, and are continuing to refine our strategy for growth to create long term value for our stakeholders.

The Bisalloy Group experienced one Lost Time Injury for the half which was an upgrade of a minor injury in the previous financial year (FY21). Our All-Injury frequency is trending down. The balance of the Group in Thailand, Indonesia and China experienced no Lost Time Injuries. Bisalloy Australia performed strongly in our surveillance audit for the ISO14001 (Environment Management) and ISO45001 (Safety Management Systems), with zero non-conformances.

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

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

Directors' Report

continued

variety of imported products. During the six months ended 31 December 2021 Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers, including the CJV.

Business Performance

Domestic Australian Sales and Margins

The last six months have been characterised by global and domestic steel prices at or near record levels with continued strong Australian demand for quench and tempered steel plate, which together with proactive pricing and procurement decisions, has resulted in much higher product margins for H1 FY22 relative to H1 FY21.

Bisalloy continues to engage with the Anti-Dumping Commission in relation to the loss of domestic volume which has adversely impacted growth in company earnings. The Commissioner is now due to make a recommendation to the Minister in a final report on or before 25 May 2022.

Co-Operative Joint Venture (CJV) in China

We continue to see solid performance from the CJV with strong volume growth partially offset by margin compression in the domestic market.

Overseas Distribution

The Group's overseas distribution operations in Indonesia and Thailand continue to be profitable. Demand in Indonesia and Thailand has been retarded by Covid-19 impacts.

Armour

Our Armour business continues to be of importance both domestically and internationally. We continue to develop and support an alternate supply of specialised greenfeed from targeted partner mills overseas. Volumes are up slightly from H1 FY21.

Overheads

Bisalloy's marketing and administrative expenses in H1 FY22 were \$0.55m lower than in H1 FY21. This is predominately due to timing with expenses expected to revert in H2 FY22.

Covid-19

Our focus like many other businesses has continued to evolve with the changing impacts from the COVID-19 pandemic. We are pleased to report that our NSW based operation has maintained our ability to produce on schedule from the Unanderra plant, maintaining our superior delivery performance metrics. Our employees have been exceptionally cooperative and adaptable to the additional measures we've taken to maintain our business continuity through these community health events.

While Covid-19 has not had a material impact on demand in Australia or China, since December 21 we have noted impacts across customers and supply chain as a result of staff absences. We expect this disruption to normalise over the coming months.

Directors' Report

continued

Financial Results

Group Revenues in the period were \$55,197k, up 17.1% from the corresponding period last year. Profit before tax was \$10,821k, up 138.4% from prior corresponding period. Profit after tax increased to \$7,771k from \$3,353k in the prior corresponding period.

Net operating cash inflow in the six months was \$3,285k compared to the inflow of \$3,288k in the previous corresponding period.

Net debt as at 31 December 2021 totalled \$7.243m (30 June 2021 - \$7.384m).

FY22 Outlook

Market demand for quench and tempered steel is expected to remain strong during H2 FY22. However, our product margins will decline as higher greenfeed prices flow through. Nevertheless, strong profits in H1 FY22 are likely to underpin the higher profits for FY22 that were foreshadowed in November 2021.

Dividend

Bisalloy pays dividends in accordance with the basic policy of making stable and continuous payments based on a medium- to long-term business outlook. By taking into account the Company's outlook for business results, its financial position, and other such factors, the Company has decided to pay an interim dividend of 4.5c per share in the current fiscal year.

Auditor Independence

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

Signed in accordance with a resolution of the directors.



Michael Gundy
Managing Director
23 February 2022



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

To the Directors of Bisalloy Steel Group Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Bisalloy Steel Group Limited for the half-year ended 31 December 2021 there have been:

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

KPMG

KPMG

Warwick Shanks

Partner

Wollongong

23 February 2022

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of dollars	Notes	Consolidated	
		For the six months ended 31 Dec 2021	31 Dec 2020
Continuing operations			
Revenue from contracts with customers		55,197	47,151
Cost of goods sold		(39,816)	(36,871)
Gross profit		15,381	10,280
Other income / (expense)		91	(33)
Distribution expenses		(1,177)	(1,164)
Marketing expenses		(1,047)	(1,420)
Occupancy expenses		(382)	(380)
Administrative expenses		(2,775)	(2,955)
Gain on sale of fixed assets		1	-
Operating profit		10,092	4,328
Finance costs	3(b)	(324)	(658)
Finance income	3(b)	3	2
Share of profit of joint venture, net of tax	7	1,050	867
Profit before income tax		10,821	4,539
Income tax expense	13	(3,050)	(1,186)
Profit after income tax		7,771	3,353
Attributable to:			
Non-controlling interests		123	79
Equity holders of the parent		7,648	3,274
Profit for the period		7,771	3,353
Other comprehensive income:			
Items that may be subsequently reclassified to net profit			
Fair value gain on cash flow hedges		-	61
Foreign currency translation		670	(1,443)
Income tax effect of items in other comprehensive income		-	58
Other comprehensive income for the period, net of tax		670	(1,324)
Total comprehensive income for the period, net of tax		8,441	2,029
Attributable to:			
Non-controlling interests		270	(260)
Equity holders of the parent		8,171	2,289
		8,441	2,029
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	16.6	7.2
- Diluted earnings per share (cents per share)	5	16.2	6.8

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

Condensed Consolidated Statement of Financial Position

In thousands of dollars	Notes	Consolidated	
		31 Dec 2021	30 Jun 2021* Restated
ASSETS			
Current assets			
Cash and cash equivalents	6	2,025	2,347
Trade and other receivables		13,809	23,532
Inventories		38,213	27,936
Other current assets		2,048	1,488
Contract assets		42	135
Income tax receivable		133	78
Derivative assets		7	-
Total current assets		56,277	55,516
Non-current assets			
Other non-current assets		123	122
Investment in joint venture	7	7,961	6,601
Property, plant and equipment		21,103	21,204
Intangibles		572	514
Income tax receivable		-	297
Deferred tax asset		58	51
Total non-current assets		29,817	28,789
Total assets		86,094	84,305
LIABILITIES			
Current liabilities			
Trade and other payables		14,931	17,837
Interest bearing loans and borrowings	8	6,208	9,731
Income tax payable		1,428	1,708
Employee benefit liabilities		2,031	2,172
Lease liabilities		368	262
Contract liabilities		384	395
Derivative liabilities		-	33
Total current liabilities		25,350	32,138
Non-current liabilities			
Loans and borrowings	8	3,060	-
Employee benefit liabilities		1,142	1,438
Lease liabilities		516	386
Deferred tax liabilities		2,371	1,929
Total non-current liabilities		7,089	3,753
Total liabilities		32,439	35,891
NET ASSETS		53,655	48,414
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	13,941	12,886
Accumulated profits		28,640	25,116
Other reserves		7,347	6,955
Parent interests		49,928	44,957
Non-controlling interests		3,727	3,457
TOTAL EQUITY		53,655	48,414

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

*The Group had previously recorded the net position of premium finance. The gross figures are now reported, which increases Other current assets and Interest bearing loans and borrowings equally by \$416k.

Condensed Consolidated Statement of Cash Flows

In thousands of dollars	Notes	Consolidated For the six months ended	
		31 Dec 2021	31 Dec 2020* Restated
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		69,660	52,829
Payments to suppliers and employees (inclusive of GST)		(63,401)	(46,766)
Interest received		3	2
Borrowing costs		(324)	(658)
Income tax paid		(2,653)	(2,119)
Net cash from operating activities		3,285	3,288
Cash flows from investing activities			
Dividend received from Joint Venture		620	-
Proceeds from sale of property, plant and equipment		1	-
Payments for property, plant and equipment		(439)	(627)
Payments for intangible assets		(58)	(182)
Net cash used in investing activities		124	(809)
Cash flows from financing activities			
(Repayment) / drawdown of borrowings		(464)	95
Dividend paid to non-controlling interests		-	(62)
Dividend paid to equity holders of the parent		(3,092)	(1,703)
Principal lease payments		(236)	(145)
Net cash used in financing activities		(3,792)	(1,815)
Net (decrease) / increase in cash and cash equivalents		(383)	664
Net foreign exchange differences		61	(81)
Cash and cash equivalents at the beginning of period		2,347	672
Cash and cash equivalents the end of period	6	2,025	1,255

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

*The Group had previously recorded the net position of premium finance. The gross figures are now reported. This increases payments to suppliers and employees by \$126k and increases drawdown of borrowings by \$126k.

Condensed Consolidated Statement of Changes in Equity

In thousands of dollars	Issued capital	Employee Equity Benefits Reserve	Cash flow hedge reserve	Foreign currency translation reserve	Asset Revaluation Reserve	Equity Settlement Reserve	Other Reserves	Retained earnings	Total	Non-controlling interests	Total Equity
At 30 June 2021	12,886	295	-	159	6,187	398	(84)	25,116	44,957	3,457	48,414
Profit for the period	-	-	-	-	-	-	-	7,648	7,648	123	7,771
Other comprehensive income	-	-	-	523	-	-	-	-	523	147	670
Depreciation transfer for revaluation of building	-	-	-	-	(23)	-	-	23	-	-	-
Total comprehensive income	-	-	-	523	(23)	-	-	7,671	8,171	270	8,441
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to equity holders	-	-	-	-	-	-	-	(4,147)	(4,147)	-	(4,147)
Dividend reinvestment plan	1,055	-	-	-	-	-	-	-	1,055	-	1,055
Settlement of performance rights	-	-	-	-	-	90	-	-	90	-	90
Share based payments	-	(198)	-	-	-	-	-	-	(198)	-	(198)
At 31 December 2021	13,941	97	-	682	6,164	488	(84)	28,640	49,928	3,727	53,655
At 30 June 2020	12,318	302	-	1,150	6,180	316	(93)	18,527	38,700	3,880	42,580
Profit for the period	-	-	-	-	-	-	-	3,274	3,274	79	3,353
Other comprehensive income	-	-	61	(1,081)	35	-	-	-	(985)	(339)	(1,324)
Depreciation transfer for revaluation of building	-	-	-	-	(25)	-	-	25	-	-	-
Total comprehensive income	-	-	61	(1,081)	10	-	-	3,299	2,289	(260)	2,029
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to equity holders	-	-	-	-	-	-	-	(2,271)	(2,271)	-	(2,271)
Dividend reinvestment plan	568	-	-	-	-	-	-	-	568	-	568
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(62)	(62)
Share based payments	-	(73)	-	-	-	-	-	-	(73)	-	(73)
At 31 December 2020	12,886	229	61	69	6,190	316	(93)	19,555	39,213	3,558	42,771

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

Notes to the Condensed Consolidated Financial Statements

1. Summary of significant accounting policies

a. Basis of preparation

This general purpose condensed consolidated financial report for the six months ended 31 December 2021 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The condensed consolidated financial report as at and for the six months ended 31 December 2021 does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the condensed consolidated financial report for the six months ended 31 December 2021 be read in conjunction with the annual report for the year ended 30 June 2021 and considered together with any public announcements made by the Company during the six months ended 31 December 2021 in accordance with the continuous disclosure obligations of the ASX listing rules. Other than as stated in Note 14, the financial report has been prepared using the same accounting policies as used in the most recent financial report.

The condensed consolidated financial report for the six months ended 31 December 2021 is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191.

b. Basis of consolidation

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

continued

2. Dividends paid

In thousands of dollars	Consolidated	
	For the six months ended	
	31 Dec 2021	31 Dec 2020
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for year ended 30 June 2021: 9.0 cents (2020: 5.0 cents)	4,147	2,271

3. Other income and expenses

In thousands of dollars	Consolidated	
	For the six months ended	
	31 Dec 2021	31 Dec 2020
(a) Other (income) / expenses		
Other income	(11)	-
Foreign exchange (gain) / loss	(80)	33
	(91)	33
(b) Finance (income) and costs		
Bank interest and borrowing costs	324	658
Total finance costs	324	658
Bank interest	(3)	(2)
Total finance income	(3)	(2)
(c) Depreciation and cost of inventories included in the statement of profit or loss and other comprehensive income		
Depreciation and amortisation ¹	1,147	1,104
Cost of inventories	31,039	28,523
Provision for inventory	119	(63)
Cost of inventories recognised as an expense	31,158	28,460
(d) Employee benefits expense¹		
Wages and salaries	6,686	6,175
Superannuation costs	382	562
Share based payments	(282)	(9)
	6,786	6,728

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

Notes to the Condensed Consolidated Financial Statements

continued

4. Issued capital

In thousands of dollars	Consolidated	
	31 Dec 2021	30 Jun 2021
Ordinary shares Issued and fully paid	13,941	12,886

In thousands	No. of shares	\$
Movement in ordinary shares on issue		
At 1 July 2021	45,968	12,886
Dividend Reinvestment Plan (i)	604	1,055
Exercise of performance rights	110	-
At 31 Dec 2021	46,682	13,941

- (i) The Group paid an ordinary fully franked dividend to equity holders for the year ended 31 December 2021 on 26 November 2021. The Dividend Reinvestment Plan (DRP) applied to the final dividend with a discount of 5% to the weighted average market price of shares in the Company traded on the ASX on the record date of 3 November 2021 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$1.7446 per share.

5. Earnings per share

In thousands of dollars	Consolidated	
	For the six months ended 31 Dec 2021	31 Dec 2020
Calculation of the following in accordance with AASB 133:		
Profit for the period	7,771	3,353
Profit attributable to non-controlling interests	123	79
Profit attributable to equity holders of the parent	7,648	3,274

	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	46,202	45,530
Potential dilution:		
Performance rights	984	2,696
Adjusted weighted average number of ordinary shares for diluted earnings per share	47,186	48,226

6. Cash and cash equivalents

In thousands of dollars	31 Dec 2021	30 Jun 2021
Cash at bank and in hand	2,025	2,347

Non-cash financing activities

Dividend reinvestment plan

The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2021 was 604,473 (31 December 2020: 449,844).

Notes to the Condensed Consolidated Financial Statements

continued

7. Investment in joint venture

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.

The Group's share of the result of the joint venture on an equity accounted basis for the period is \$1,050k (2020: \$867k).

Dividends of \$620k (2020: \$0) were received from the JV during the six months.

8. Interest bearing loans and borrowings

On 17 December 2021 Bisalloy Steel Group Limited entered into a facility with Westpac Banking Corporation. The facility comprises a bank bill facility of \$6.2m for 3 years from January 2022, with \$3.1m drawn, and reducing by \$116,500 per quarter over the term, an invoice finance facility of up to \$12m (drawn to \$3.3m) and a trade finance facility of up to \$9m (drawn to \$0m). Bisalloy also have \$0.6m of premium finance outstanding with Westpac Banking Corporation.

The Group has a IDR 44.5b revolver facility as well as a USD\$0.5m Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to \$2.3m and secured by a charge over the assets of the Indonesian subsidiary and mature in June 2022.

The Group has a THB 3m bank overdraft facility available and unused to its Thailand based subsidiary as at 31 December 2021. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.

Notes to the Condensed Consolidated Financial Statements

continued

9. Assets / liabilities measured at fair value

Fair values

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

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

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

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

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

31 December 2021	Total	Level 1	Level 2	Level 3
Assets measured at fair value	\$'000	\$'000	\$'000	\$'000
Land and buildings	14,176	-	14,176	-
Foreign exchange contracts	7	-	7	-
	14,183	-	14,183	-
30 June 2021				
Assets / (Liabilities) measured at fair value				
Land and buildings	14,176	-	14,176	-
Foreign exchange contracts	(33)	-	(33)	-
	14,143	-	14,143	-

At 30 June 2021 the fair value of land, buildings and improvements for its Indonesian land and buildings was determined by reference to independent valuations performed in June 2019. At 30 June 2021 the fair value of land, buildings and improvements for its Australian land and buildings was determined by reference to independent valuations performed in June 2021. For 31 December 2021, it was determined by Directors valuation that there was no significant change in fair value.

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

Transfer between categories

There were no transfers between levels during the year.

10. Commitments and contingencies

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

11. Events after the balance date

There have been no significant events after the balance date.

Notes to the Condensed Consolidated Financial Statements

continued

12. Segment information

Identification of reportable segments

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

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

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

Geographical areas

Australian operations

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

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

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

Overseas operations

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

Inter-segment transactions

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

Major customers

The Group has a number of customers to which it provides products. There are three major distributors who account for 32% (2020: 36%), 14% (2020: 10%) and 6% (2020: 9%) of total external revenue.

Notes to the Condensed Consolidated Financial Statements

continued

12. Segment information (continued)

Information about reportable segments

	Australia \$'000	Overseas \$'000	Total \$'000
For the six months ended 31 December 2021			
Sales to external customers	45,924	9,273	55,197
Inter-segment sales	1,031	-	1,031
Total segment revenue	46,955	9,273	56,228
Inter-segment elimination	-	-	(1,031)
Total consolidated revenue	-	-	55,197
Segment profit after income tax	6,394	1,357	7,751

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

For the six months ended

a) Segment profit after income tax reconciliation to the statement of profit or loss and other comprehensive income	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Segment profit after income tax	7,751	3,413
Intercompany eliminations (net of tax)	20	(60)
Income tax expense	3,050	1,186
Profit before tax per the statement of profit or loss and other comprehensive income	10,821	4,539

The following table presents the disaggregation of the Group's revenue from contracts with customers for the six months ended 31 December 2021:

	Australia \$'000	Overseas \$'000	Total \$'000
For the six months ended 31 December 2021			
Performance obligation			
Sale of steel plates	40,738	9,117	49,855
Shipping and handling	5,186	156	5,342
Total revenue from contracts with customers	45,924	9,273	55,197
Timing of revenue recognition			
Goods transferred at a point in time	40,738	9,117	49,855
Services transferred over time	5,186	156	5,342
Total revenue from contracts with customers	45,924	9,273	55,197

Notes to the Condensed Consolidated Financial Statements

continued

12. Segment information (continued)

For the six months ended 31 December 2020	Australia \$'000	Overseas \$'000	Total \$'000
Performance obligation			
Sale of steel plates	36,356	8,451	44,807
Shipping and handling	2,205	139	2,344
Total revenue from contracts with customers	38,561	8,590	47,151
Timing of revenue recognition			
Goods transferred at a point in time	36,356	8,451	44,807
Services transferred over time	2,205	139	2,344
Total revenue from contracts with customers	38,561	8,590	47,151

13. Income Tax

The income tax expense of \$3,050k for the six months ended 31 December 2021 differs from what it would have been under the Group's statutory income tax rate of 30% (\$3,246k) primarily due to share of profit of equity accounted investees reported net of tax and the controlled foreign company (CFC) attributed income.

14. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2021, except for the adoption of new standards effective as of 1 July 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Directors' Declaration

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

In the opinion of the directors:

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

- (i) Giving a true and fair view of the financial position as at 31 December 2021 and of its performance for the six months ended on that date of the consolidated entity; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001;

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

On behalf of the Board



Michael Gundy
Managing Director
25 February 2022



Independent Auditor's Review Report

To the shareholders of Bisalloy Steel Group Limited

Conclusion

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

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Bisalloy Steel Group Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Condensed consolidated statement of financial position as at 31 December 2021;
- Condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the Half-year ended on that date;
- Notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

Basis for Conclusion

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

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



Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Kfmc

KPMG

Warwick Shanks

Partner

Wollongong

23 February 2022