



## DIRECTORS REPORT

Your directors submit their report for the year ended 30 June 2018.

### 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
<p><b>Skills &amp; Experience:</b> 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 35 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.</p>		<p><b>Term of office:</b> A founding director of the Company and Chairman since appointed in November 2001. Last re-elected in November 2016.</p> <p><b>Board Committees:</b></p> <ul style="list-style-type: none"> <li>Chairman of the Nominations &amp; Remuneration Committee</li> <li>Audit &amp; Risk Committee</li> </ul> <p><b>Other public company directorships during past three years:</b></p> <ul style="list-style-type: none"> <li>Chairman, Dick Smith Holdings Ltd from December 2013 to February 2015.</li> </ul> <p><b>Other directorships:</b></p> <ul style="list-style-type: none"> <li>Chairman, Anchorage Capital Partners</li> <li>Chairman, Excelsia College</li> <li>Chairman, Ability First Australia</li> <li>Director, Solgen Energy Group</li> </ul>
Mr Greg Albert, MBA		MANAGING DIRECTOR AND CEO
<p><b>Skills &amp; Experience:</b> 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 is a Director of Bisalloy Steel Group's joint venture businesses - PT Bima Bisalloy and Bisalloy Thailand. Mr Albert is also Chairman of the Group's Co-operative Joint Venture, Bisalloy Shangang (Shandong) Steel Plate Co., Limited.</p>		<p><b>Term of office:</b> Appointed in January 2016. As the managing director he is not subject to re-election by rotation.</p> <p><b>Board Committees:</b> Nil</p> <p><b>Other directorships:</b> Nil</p>

<b>Mr Kym Godson, DIP TECH (BUS ADMIN), FAICD</b> NON-EXECUTIVE DIRECTOR	
<b>Skills &amp; Experience:</b> 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.	<b>Term of office:</b> A founding director of the Company appointed in November 2001. Last re-elected in November 2016.  <b>Board Committees:</b> <ul style="list-style-type: none"> <li>▪ Audit &amp; Risk Committee</li> <li>▪ Nominations &amp; Remuneration Committee</li> </ul> <b>Other directorships:</b> <ul style="list-style-type: none"> <li>▪ The House of M&amp;K Pty. Ltd</li> </ul>
<b>Mr Richard Grellman AM, FCA</b> NON-EXECUTIVE DIRECTOR	
<b>Skills &amp; Experience:</b> Mr Grellman brings significant accounting and finance skills to the Company, having had over 32 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.	<b>Term of office:</b> Appointed in February 2003 and was re-elected at the 2017 AGM .  <b>Board Committees:</b> <ul style="list-style-type: none"> <li>• Chairman of the Audit &amp; Risk Committee</li> <li>• Nominations &amp; Remuneration Committee</li> </ul> <b>Other public company directorships during past three years:</b>  <b>Current</b> <ul style="list-style-type: none"> <li>• Chairman, IPH Ltd from September 2014</li> <li>• Chairman, FBR Ltd from July 2018</li> </ul> <b>Former</b> <ul style="list-style-type: none"> <li>• Chairman, Crowe Horwath Australasia Ltd (2011-2015)</li> <li>• Chairman, Genworth Mortgage Insurance Ltd (2012-2016)</li> </ul>
<b>Mr Dario Pong, AB in Economics</b> NON-EXECUTIVE DIRECTOR	
<b>Skills &amp; Experience:</b> Mr Pong is currently based in Hong Kong and has lived for extended periods in Shanghai and Beijing, with wide ranging experience in the steel industry in the People's Republic of China. Mr Pong provides valuable experience and insight as Bisalloy develops its Asian growth strategy, including its Chinese Joint Venture.	<b>Term of office:</b> Appointed in September 2013 and was re-elected at the 2017 AGM.  <b>Board Committees:</b> <ul style="list-style-type: none"> <li>• Audit &amp; Risk Committee</li> <li>• Nominations &amp; Remuneration Committee</li> </ul> <b>Other directorships:</b> <ul style="list-style-type: none"> <li>▪ Ferro Resources Ltd</li> <li>▪ Shiu Wing Steel Ltd</li> </ul>

**Company Secretary**

<b>Mr Luke Beale, B COMM, MBA, ACA</b>	COMPANY SECRETARY
<b>Skills &amp; Experience:</b> Appointed in April 2018. Mr Beale is a Chartered Accountant with 18 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 joint venture businesses - PT Bima Bisalloy and Bisalloy Thailand. Mr Beale is also Financial Supervisor of the Group's Co-operative Joint Venture, Bisalloy Shangang (Shandong) Steel Plate Co., Limited.	

**Interests in shares of the company and related bodies corporate**

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

	Number of Ordinary Shares
P J Cave	7,592,718
G Albert	0
K Godson	1,344,766
R Grellman	41,693
D Pong	137,031

## Dividends

	<u>Cents</u>	<u>\$'000</u>
Final dividend recommended on ordinary shares (fully franked)	4.0	<u>1,767</u>
Dividends paid in the year	2.5	<u>1,105</u>

## Principal activities

The principal activity of the Group during the financial year was the processing 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 CJV - Bisalloy Shangang (Shandong) Steel Plate Co, Ltd.

Safety is a key commitment of the Group with a continued focus on zero harm to all employees, contractors and visitors. For the fifth consecutive year, the Group recorded no Lost Time Injuries across its operations and has now reached a milestone of 1,500+ days Lost Time Injury free.

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 defence grade steels Bisalloy exclusively deals directly to select companies.

Bisalloy's unique stand-alone heat treatment facility at Unanderra near Wollongong, is a highly automated and efficient operation providing a relatively low cost base, allowing it to compete with a variety of imported products. During the year Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers.

## Financial review

### *Operating Results*

The Group's net profit for the year after income tax was \$3,850,000 (2017: \$1,755,000).

The profit increase was driven by increased share of the Australian domestic market, an increase in sales volume of higher-margin armour grade steels and an to both volumes and profit from the Chinese CJV.

Operating results are summarised as follows:

	<b>2018</b>	
	<b>Revenue</b>	<b>Profit</b>
	<b>\$000s</b>	<b>after tax</b>
		<b>\$000s</b>
Operating Segments		
Australia	79,456	2,304
Overseas	16,443	1,546
	<u>95,899</u>	<u>3,850</u>
Consolidated entity adjustments	(7,313)	-
<b>Consolidated entity revenue and profit after tax for the year</b>	<b>88,586</b>	<b>3,850</b>

### Shareholder Returns

The Board has decided to pay a dividend of 4.0 cents per share for the year ended 30 June 2018 on the back of the improved profitability.

	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Basic earnings / (loss) per share (cents)	8.2c	3.4c	3.5c	5.7c	(3.8c)
Net profit / (loss) attributable to members (\$'000)	3,636	1,509	1,541	2,490	(1,650)
Return on equity (reported PAT/equity) (%)	12.6%	6.6%	6.8%	11.9%	(5.9%)
Gearing (net debt / net debt + equity) (%)	16%	15%	23%	12%	32%
Dividends paid (cents)	2.5c	2.5c	4.0c	-	-
Dividend franking	100%	100%	100%	-	-

### Liquidity and Capital resources

The consolidated statement of cash flows details a decrease in cash and cash equivalents before exchange rate differences for the year ended 30 June 2018 of \$1,465,000 (2017: increase of \$3,102,000).

Operating activities resulted in a net cash inflow of \$1,413,000 (2017: inflow of \$6,414,000), supported by free cash flow and tight control over working capital.

Investing activities required \$1,392,000 (2017: \$2,076,000) of net cash outflows for investment in operating plant and equipment. A dividend of \$792,714 was received from the Bisalloy Shangang joint venture (2017: nil).

Net cash outflows from financing activities were \$1,486,000 (2017: outflow of \$1,236,000), including the dividend paid to shareholders in November 2017 totalling \$1,105,000 (2017: \$1,058,000).

### Funding

The Group's net debt increased to \$5.9m at 30 June 2018, up from \$4.7m at 30 June 2017, with an increase in gearing to 16%, up from 15% at the end of last year.

On 29 January 2018 Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited re-negotiated the existing agreement with Westpac Banking Corporation for one of the three facilities operating under a common structure, increasing the total limit from \$16 million to \$19 million. The agreements include an ongoing invoice finance facility and export working capital funding, together with a three year bank bill business loan.

## **Business strategy and outlook**

### ***Strategy***

In FY18 Bisalloy continued in the execution of its strategy of improving the current operation in its production and distribution of quenched and tempered (QT) steel in the Australian domestic market, in conjunction with building on the existing JV operations throughout Asia for future growth opportunities.

In FY17 a number of staffing changes were made within the sales and marketing functions of the Australian business with these changes having contributed to the uplift in domestic sales over the FY17/FY18 period.

In FY18 Bisalloy actively pursued the strategy of growing its armour product business both with the Australian Federal Government's various projects as well as select international defence companies. To fully capitalise on the future potential of this business, Bisalloy embarked on a number of company-wide improvements and investments to be able to supply this higher-margin segment which continues to increase in size.

During FY18 Bisalloy launched a new range of protection grade steels suitable for the growing civilian protection market.

Strong volume growth will continue to be targeted from Bisalloy's Co-Operative Joint Venture (CJV) in China with access to the new plant in Rizhao scheduled for FY19.

### ***Operations***

#### ***Domestic***

To support the sales volume growth of Bisalloy QT wear, structural and armour products in FY18, Bisalloy was able to increase our greenfeed supply from both local and international suppliers.

#### ***Co-Operative Joint Venture in China***

In FY18 Bisalloy's CJV partner, Shandong Steel, commenced the relocation of its QT plant from Jinan following the closure of the Jinan steel mill. This equipment is being relocated to Shandong Steel's new state of the art steel mill in Rizhao. Following the closure of the Jinan steel mill, the CJV continued to source product from Shandong Steel's Laiwu steel mill. The CJV volumes and profits increased in FY18 with Bisalloy's share of the CJV EBITDA increasing to \$1.5m (FY2017 \$1.0m). Targets for FY19 and beyond represent a continuation of this trend.

Due to the substantial growth of the CJV, both parties in the joint venture agreed in Q4 FY18 to increase their registered capital of the CJV, with Bisalloy's contribution to increase from US\$1.0m to US\$2.5m over the next two years.

#### ***Overseas Distribution***

The Group's overseas distribution operations in Indonesia and Thailand continue to be profitable.

### ***New Markets***

Bisalloy has commenced a relationship with a European global steel supplier in relation to the supply of high specification greenfeed required for Bisalloy's most demanding future growth products. This relationship is expected to broaden Bisalloy's R&D base while enabling faster development times of higher grades to match emerging market trends.

FY18 saw an increase in international sales for armour grade steels. FY19 is forecast to see continued growth.

During the year Bisalloy entered into a distribution agreement in South Africa predominantly for the sales and distribution of Bisalloy armour and protection grade steels in South Africa.

## **Business risk management**

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

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

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

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

The major high level business risk with the greatest potential to materially impact on the financial outlook for the Group is continued upward pressure in energy prices. Both electricity, and natural gas in particular, are integral inputs into the Group's manufacturing process, and affordable energy resources are critical if the Group is to maintain its competitive advantage. Furthermore supply constraints, market dysfunction and higher gas prices may impact many sectors of the economy including the mining and agricultural sectors on the demand side and the Group's ability to source competitively priced raw material on the supply side. Bisalloy Australia currently has retail contracts in place for gas and electricity supply through to the end of December 2018.

## **Significant changes in the state of affairs**

Total equity increased from \$27,417,000 to \$30,538,000, an increase of \$3,121,000. In addition to the net profit for the year, the Group recorded a revaluation of land and buildings (\$275,000 net of tax), partially offset by a final dividend totalling \$1,105,000 in respect of the year ended 30 June 2017 which was paid to shareholders in November 2017, together with foreign currency translation gain of \$206,000 relating to the overseas subsidiaries as a result of the revaluation of the Australian dollar at the end of the year.

## **Significant events after the balance date**

There have been no significant events after the balance date.

## **Indemnification and insurance of directors and officers**

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

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

## **Environmental regulation**

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



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

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

### **Rounding**

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

### **Auditor independence**

The directors received the declaration on page 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, Ernst & Young, 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 Ernst & Young during or since the financial year.

### **Non-audit services**

No non audit services were provided by the Company's auditor, Ernst & Young in relation to the year ended 30 June 2018.

### **Likely developments and expected results**

Bisalloy is forecasting profitability to be up in FY19. To achieve this, Bisalloy is continuing with its growth strategy in a shift towards focusing on the premium grades of QT steels from its Unanderra plant, including armour grade steels, while developing the volume growth of other products sourced from Bisalloy's CJV operation.

This strategy and focus has resulted in high volumes in the second half of FY18 with good momentum and a strong order book going into FY19.

### ***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 & Risk	Nominations & Remunerations
<b>Number of Meetings Held</b>	10	3	1
<b>Number of Meetings Attended</b>			
P Cave	10	3	1
G Albert	10	3	1
K Godson	10	3	1
R Grellman	10	3	1
D Pong	8	2	1

### **Remuneration report (audited)**

This remuneration report for the year ended 30 June 2018 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' dependant 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 \$489,000. The board will not seek any increase for the fee pool at the 2018 AGM.

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

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

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

The remuneration of non-executive directors for the period ended 30 June 2018 is detailed in the table on page 13 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 & 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 2018 is detailed in the table on page 13 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 2018 is detailed in the table on page 13 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 & Remuneration Committee.

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 2015 Annual General Meeting, a 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 2018 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 his share rights and be allocated a fully paid ordinary share of Bisalloy Steel Group Ltd at no cost to the employee.

A total of 500,000 share rights (2017: 400,000) were granted under this scheme during the year.

#### *Group performance*

The board has determined that whilst the Group did not meet its budgeted ROE for the year, as it did exceed 90% of the budgeted ROE, 47% of the performance components of the 2018 share rights have vested.

For further detail of historical performance, refer to the shareholder returns section earlier in this Directors' report.

#### *Details of key management personnel of the Company and Group*

##### *(i) Directors*

P Cave	Non-executive Chairman
R Grellman	Non-executive Director
K Godson	Non- executive Director
D Pong	Non-executive Director
G Albert	Managing Director

##### *(ii) Executives*

D Collins	Chief Financial Officer and Company Secretary (resigned 19 January 2018)
S Gleeson	General Manager Sales & Marketing
A Huckstepp	Operations Manager
B Morris	Chief Financial Officer and Company Secretary (appointed 19 January 2018; resigned 16 April 2018)
L Beale	Chief Financial Officer and Company Secretary (appointed 16 April 2018)

#### *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*

- 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

L Beale – Chief Financial Officer & Company Secretary

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

S Gleeson - General Manager Sales & Marketing

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

A Huckstepp – Operations manager

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

*Remuneration of key management personnel of the Company and Group*

Year ended 30 June 2018

	Short-term		Long-term	Post employment		Termination benefits	Share-based payments	Total	Performance Related
	Salary and fees	Cash bonus	Long service leave	Super-annuation	Retirement benefits		Share Rights	\$	
	\$	\$	\$	\$	\$	\$	\$		
<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	-
D Pong	120,000	-	-	-	-	-	-	120,000	-
<b>Sub-total Non-Executive Directors</b>	<b>470,000</b>	<b>-</b>	<b>-</b>	<b>19,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>489,000</b>	<b>-</b>
<b>Executive Directors</b>									
G Albert	525,000	217,500	10,800	25,000	-	-	123,611	901,911	38%
<b>Sub-total Executive Directors</b>	<b>525,000</b>	<b>217,500</b>	<b>10,800</b>	<b>25,000</b>	<b>-</b>	<b>-</b>	<b>123,611</b>	<b>901,911</b>	<b>38%</b>
<b>Other key management personnel</b>									
D Collins <sup>1</sup>	151,237	126,150	-	17,683	-	53,765	(31,712)	317,124	30%
S Gleeson	263,400	73,080	5,564	25,000	-	-	34,966	402,010	27%
A Huckstepp	174,018	40,238	5,008	24,911	-	-	11,484	255,659	20%
L Beale <sup>2</sup>	63,423	-	1,236	5,386	-	-	11,233	81,279	14%
B Morris <sup>3</sup>	76,500	-	-	-	-	-	-	76,500	-
<b>Sub-total executive KMP</b>	<b>728,579</b>	<b>239,468</b>	<b>11,807</b>	<b>72,981</b>	<b>-</b>	<b>53,765</b>	<b>25,971</b>	<b>1,132,570</b>	<b>23%</b>
<b>Totals</b>	<b>1,723,579</b>	<b>456,968</b>	<b>22,607</b>	<b>116,980</b>	<b>-</b>	<b>53,765</b>	<b>149,582</b>	<b>2,523,481</b>	<b>24%</b>

<sup>1</sup> Mr Collins resigned on 19 January 2018.

<sup>2</sup> Mr Beale was appointed on 16 April 2018.

<sup>3</sup> Mr Morris was appointed on 19 January 2018 and resigned 16 April 2018.

Year ended 30 June 2017

	Short-term		Long-term	Post employment		Termination benefits	Share-based payments	Total	Performance Related %
	Salary and fees	Cash bonus	Long service leave	Super-annuation	Retirement benefits		Share Rights	\$	
	\$	\$	\$	\$	\$	\$	\$	\$	
<b>Non-Executive Directors</b>									
P Cave	120,000	-	-	-	-	-	-	120,000	-
R Grellman	80,000	-	-	7,600	-	-	-	87,600	-
K Godson	80,000	-	-	7,600	-	-	-	87,600	-
D Pong	100,000	-	-	-	-	-	-	100,000	-
<b>Sub-total Non-Executive Directors</b>	<b>380,000</b>	<b>-</b>	<b>-</b>	<b>15,200</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>395,200</b>	<b>-</b>
<b>Executive Directors</b>									
G Albert	465,000	215,000	12,093	35,000	-	-	81,835	808,928	37%
<b>Sub-total Executive Directors</b>	<b>465,000</b>	<b>215,000</b>	<b>12,093</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>81,835</b>	<b>808,928</b>	<b>37%</b>
<b>Other key management personnel</b>									
D Collins	263,990	124,700	7,241	26,010	-	-	25,740	447,681	34%
S Gleeson <sup>1</sup>	188,174	54,180	5,043	17,877	-	-	16,879	282,153	25%
A Huckstepp <sup>2</sup>	163,950	39,775	5,871	21,050	-	-	5,626	236,272	19%
T Matinca <sup>3</sup>	-	-	(692)	6,367	-	132,695	(4,480)	133,890	-3%
M Bradmore <sup>3</sup>	-	-	(535)	4,656	-	54,629	(2,986)	55,764	-5%
M Sampson <sup>4</sup>	106,311	-	3,703	12,636	-	23,569	(1,493)	144,726	-1%
<b>Sub-total executive KMP</b>	<b>722,425</b>	<b>218,655</b>	<b>20,631</b>	<b>88,596</b>	<b>-</b>	<b>210,893</b>	<b>39,286</b>	<b>1,300,486</b>	<b>20%</b>
<b>Totals</b>	<b>1,567,425</b>	<b>433,655</b>	<b>32,724</b>	<b>138,796</b>	<b>-</b>	<b>210,893</b>	<b>121,121</b>	<b>2,504,614</b>	<b>22%</b>

<sup>1</sup> Mr Gleeson commenced employment on 6 October 2016.

<sup>2</sup> Mr Huckstepp was appointed on 1 July 2016.

<sup>3</sup> Mr Matinca and Mr Bradmore ceased employment on 1 July 2016.

<sup>4</sup> Mr Sampson resigned on 24 February 2017.

#### 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 2017	Granted during the year	Rights exercised during the year	Forfeited or Lapsed	Balance at 30 June 2018	Vested and exercisable	Unvested
<b>Executives</b>							
G Albert	910,132	-	-	(87,667)	822,465	-	822,465
D Collins	364,053	-	-	(364,053)	-	-	-
S Gleeson	273,039	100,000	-	(26,300)	346,739	-	346,739
A Huckstepp	91,013	-	-	(8,767)	82,246	-	82,246
L Beale	-	400,000	-	-	400,000	-	400,000
	<b>1,638,237</b>	<b>500,000</b>	<b>-</b>	<b>(486,787)</b>	<b>1,651,450</b>	<b>-</b>	<b>1,651,450</b>

	G Albert	D Collins	S Gleeson #1	A Huckstepp	L Beale	S Gleeson #2	Total
Grant date	26-Feb-16	23-Mar-16	19-Oct-16	19-Oct-16	16-Apr-18	15-Jun-18	
Vesting date	25-Feb-19	22-Mar-19	18-Oct-19	18-Oct-19	15-Apr-21	14-Jun-21	
Fair value at grant date	\$0.42	\$0.33	\$0.39	\$0.39	\$0.82	\$0.75	
Balance at 1 July 2017	910,132	364,053	273,039	91,013	-	-	1,638,237
New grants in the year	-	-	-	-	400,000	100,000	500,000
Exercised in the year	-	-	-	-	-	-	-
Lapsed during the year	(87,667)	(364,053)	(26,300)	(8,767)	-	-	(486,787)
Balance at 30 June 2018	822,465	-	246,739	82,246	400,000	100,000	1,651,450
Vested at 30 June 2018	-	-	-	-	-	-	-

<sup>1</sup> Mr Collins resigned on 19 January 2018.

<sup>2</sup> Mr Beale was appointed on 16 April 2018.

The budget ROE as set by the Board for the 2018 financial year was not achieved, however the Group did exceed 90% of the budget ROE and accordingly 47% of the performance portion of the LTI vested for 2018. 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-17	Performance Rights Exercised	Other	Balance at 30-Jun-18
<b>Directors</b>				
P J Cave	7,573,562	-	19,156	7,592,718
K Godson	1,344,766	-	-	1,344,766
R Grellman	41,693	-	-	41,693
D Pong	115,883	-	21,148	137,031
G Albert	-	-	-	-
<b>Executives</b>				
D Collins	-	-	-	-
L Beale	-	-	-	-
S Gleeson	-	-	-	-
A Huckstepp	-	-	-	-
	9,075,904	-	40,304	9,116,208

#### 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 of the annual report.



**Greg Albert**

**Managing Director**

**29 August 2018**



## Corporate Governance Statement 2018

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 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.
1.3 Additional information.		The Corporate Governance Code and other relevant charters are available on the Company's website.
<b>Principle 2 - Structure the board to add value</b>		
2.1 A majority of the board should be independent directors.	Yes	The board currently has five directors, three of whom are considered independent. The board has adopted the CGC's guidelines as the basis for determining whether a director can be considered independent and has set relevant thresholds for materiality. Whether or not a director meets the CGC guidelines for independence, each director is expected to exercise unfettered and independent judgement.  The following directors are considered independent: <ul style="list-style-type: none"> <li>• Mr Grellman</li> <li>• Mr Godson</li> <li>• Mr Pong</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.
<b>Principle 3 - Promote ethical and responsible decision-making</b>		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	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 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.
3.3 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 3.2.
3.4 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.
3.5 Additional information		The Equal Employment Opportunity Policy is available on the Company website.
<b>Principle 4 - Safeguard integrity in financial reporting</b>		
4.1 The board should establish an audit committee.	Yes	The Company has an Audit & Risk Committee.
4.2 The audit committee should be structured so that it: <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 and throughout the reporting period the Company's Audit and Risk Committee was:</p> <ul style="list-style-type: none"> <li>comprised of non-executive directors being Mr Grellman, Mr Cave, Mr Godson and Mr Pong.</li> <li>chaired by Mr Grellman</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</li> </ul>

		without seeking approval of the board or management.
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>
<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.
<b>Principle 6 - Respect the rights of shareholders</b>		
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</p>

		<p>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>
<b>Principle 7 - Recognise and manage risk</b>		
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>
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>

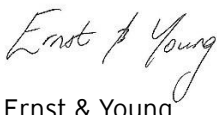
<b>Principle 8 – Remunerate fairly and responsibly</b>		
8.1 The board should establish a remuneration committee.	Yes	The Company has a Nominations and Remuneration Committee which meets as required each year.
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: 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>	Yes	<p>At the date of this report and throughout the reporting period the Company's Remuneration Committee was:</p> <ul style="list-style-type: none"> <li>comprised of non-executive directors being Mr Mr Cave, Mr Grellman, Mr Godson, and Mr Pong.</li> <li>chaired by Mr Cave, with 3 independent directors.</li> <li>governed by a Charter approved by the Board sufficiently autonomous to be able to discharge its duties and responsibilities including the authority to select, retain and terminate external advisers as the Committee considers necessary without seeking approval of the board or management.</li> </ul>
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		<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 Nominations and Remuneration Committee Charter is available on the Company's website.</p>

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

As lead auditor for the audit of Bisalloy Steel Group Limited for the financial year ended 30 June 2018, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

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



Ernst & Young



Glenn Maris  
Partner  
29 August 2018

## Statement of profit or loss and other comprehensive income For the year ended 30 June 2018

		Consolidated Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
	Notes		
<b>Continuing operations</b>			
Sales of goods		88,586	64,043
<b>Revenue</b>		<b>88,586</b>	<b>64,043</b>
Cost of goods sold		(71,301)	(49,728)
<b>Gross profit</b>		<b>17,285</b>	<b>14,315</b>
Other income/ (expenses)	5(a)	(406)	(164)
Gain on sale of fixed assets		18	10
Distribution expenses		(1,602)	(1,722)
Marketing expenses		(3,397)	(3,298)
Occupancy expenses		(588)	(501)
Administrative expenses		(6,352)	(5,672)
<b>Operating profit</b>		<b>4,958</b>	<b>2,968</b>
Finance costs	5(b)	(880)	(993)
Finance income	5(b)	52	18
Share of profit of joint venture	6	1,403	659
<b>Profit before income tax</b>		<b>5,533</b>	<b>2,652</b>
Income tax expense	7(a)	(1,683)	(897)
<b>Profit after income tax</b>		<b>3,850</b>	<b>1,755</b>
Attributable to:			
Non-controlling interest	21(d)	214	246
Owners of the parent		3,636	1,509
<b>Profit for the year</b>		<b>3,850</b>	<b>1,755</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		366	2,445
Fair value (loss)/gain on cash flow hedges		4	(19)
Foreign currency translation		190	(518)
Actuarial losses		(47)	-
Income tax effect on items in other comprehensive income		(92)	(655)
<b>Other comprehensive income for the period, net of tax</b>		<b>421</b>	<b>1,253</b>
<b>Total comprehensive income for the period, net of tax</b>		<b>4,271</b>	<b>3,008</b>
Attributable to:			
Non-controlling interest		307	378
Owners of the parent		3,964	2,630
		<b>4,271</b>	<b>3,008</b>
<b>Earnings per share for profit attributable to ordinary equity holders of the parent</b>			
- Basic earnings per share (cents)	8	8.2	3.4
- Diluted earnings per share (cents)	8	7.9	3.3



## Consolidated statement of financial position As at 30 June 2018

June 2018

		Consolidated	
	Notes	30 June 2018 \$'000	30 June 2017 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	10(a)	2,585	3,984
Trade and other receivables	11	19,394	14,909
Inventories	12	24,352	14,782
Other current assets	13	758	844
Income tax receivable	7(e)	-	31
<b>Total current assets</b>		<b>47,089</b>	<b>34,550</b>
<b>Non-current assets</b>			
Other financial assets	13	-	49
Investment in joint venture	6	2,720	2,109
Property, plant and equipment	14	18,684	17,788
<b>Total non-current assets</b>		<b>21,404</b>	<b>19,946</b>
<b>Total assets</b>		<b>68,493</b>	<b>54,496</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	17	24,163	14,197
Interest bearing loans and borrowings	18	2,434	1,689
Income tax payable	7(e)	577	-
Employee Benefit Liabilities	19	2,422	1,507
Derivative liability	20	-	33
<b>Total current liabilities</b>		<b>29,596</b>	<b>17,426</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings	18	6,068	7,000
Employee Benefit Liabilities	19	806	1,270
Deferred tax liabilities	7(d)	1,485	1,383
<b>Total non-current liabilities</b>		<b>8,359</b>	<b>9,653</b>
<b>Total liabilities</b>		<b>37,955</b>	<b>27,079</b>
<b>NET ASSETS</b>		<b>30,538</b>	<b>27,417</b>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Contributed equity	21(a)	11,720	11,575
Accumulated profits	21(e)	11,783	9,214
Other reserves	21(f)	3,854	3,415
<b>Parent interests</b>		<b>27,357</b>	<b>24,204</b>
<b>Non-controlling interests</b>	21(d)	<b>3,181</b>	<b>3,213</b>
<b>TOTAL EQUITY</b>		<b>30,538</b>	<b>27,417</b>

## Consolidated statement of cash flows For the year ended 30 June 2018

		Consolidated Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
	Notes		
<b>Cash flows from operating activities</b>			
Receipts from customers (inclusive of GST)		90,069	62,923
Payments to suppliers and employees (inclusive of GST)		(86,839)	(54,085)
Interest received		52	18
Borrowing costs		(880)	(993)
Income tax paid		(989)	(1,449)
<b>Net cash inflow / (outflow) from operating activities</b>	10(b)	<b>1,413</b>	<b>6,414</b>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		16	10
Payments for property, plant and equipment		(2,201)	(2,086)
Dividends received from investments		793	-
<b>Net cash outflow from investing activities</b>		<b>(1,392)</b>	<b>(2,076)</b>
<b>Cash flows from financing activities</b>			
(Decrease) / Increase in borrowings	10(d)	(187)	89
Dividends paid to non-controlling interests		(339)	(267)
Dividends paid to shareholders of the parent		(960)	(1,058)
<b>Net cash outflow from financing activities</b>		<b>(1,486)</b>	<b>(1,236)</b>
<b>Net increase / (decrease) in cash held</b>		<b>(1,465)</b>	<b>3,102</b>
Net foreign exchange differences		66	(14)
Cash at the beginning of the financial year		3,984	896
<b>Cash at the end of the financial year</b>	10(a)	<b>2,585</b>	<b>3,984</b>

## Financial statements

### Consolidated statement of changes in equity For the year ended 30 June 2018

	Attributable to equity holders of the Company										
	Issued capital \$'000	Employee equity benefits reserve \$'000	Net gain/ (loss) on cash flow hedges \$'000	Foreign currency translation reserve \$'000	Asset revaluation reserve \$'000	Equity Settlement Reserve \$'000	Other Reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
<b>At 30 June 2016</b>	<b>11,531</b>	<b>39</b>	<b>9</b>	<b>(507)</b>	<b>2,655</b>	<b>6</b>	<b>-</b>	<b>8,778</b>	<b>22,511</b>	<b>3,102</b>	<b>25,613</b>
Profit for the period	-	-	-	-	-	-	-	1,509	1,509	246	1,755
Other comprehensive income	-	-	(13)	(213)	1,347	-	-	-	1,121	132	1,253
Depreciation transfer for building revaluation	-	-	-	-	(29)	-	-	29	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(13)</b>	<b>(213)</b>	<b>1,318</b>	<b>-</b>	<b>-</b>	<b>1,538</b>	<b>2,630</b>	<b>378</b>	<b>3,008</b>
<b>Transactions with owners in their capacity as owners:</b>											
Ordinary dividends paid to shareholders (Note 9)	-	-	-	-	-	-	-	(1,102)	(1,102)	-	(1,102)
Dividend Reinvestment Plan (Note 21)	44	-	-	-	-	-	-	-	44	-	44
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(267)	(267)
Share based payments (Note 15)	-	121	-	-	-	-	-	-	121	-	121
Modification of performance rights	-	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2017</b>	<b>11,575</b>	<b>160</b>	<b>(4)</b>	<b>(720)</b>	<b>3,973</b>	<b>6</b>	<b>-</b>	<b>9,214</b>	<b>24,204</b>	<b>3,213</b>	<b>27,417</b>
<b>At 30 June 2017</b>	<b>11,575</b>	<b>160</b>	<b>(4)</b>	<b>(720)</b>	<b>3,973</b>	<b>6</b>	<b>-</b>	<b>9,214</b>	<b>24,204</b>	<b>3,213</b>	<b>27,417</b>
Profit for the period	-	-	-	-	-	-	-	3,636	3,636	214	3,850
Other comprehensive income	-	-	4	206	165	-	(47)	-	328	93	421
Depreciation transfer for building revaluation	-	-	-	-	(38)	-	-	38	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>4</b>	<b>206</b>	<b>127</b>	<b>-</b>	<b>(47)</b>	<b>3,674</b>	<b>3,964</b>	<b>307</b>	<b>4,271</b>
<b>Transactions with owners in their capacity as owners:</b>											
Ordinary dividends paid to shareholders (Note 9)	-	-	-	-	-	-	-	(1,105)	(1,105)	-	(1,105)
Dividend Reinvestment Plan (Note 21)	145	-	-	-	-	-	-	-	145	-	145
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(339)	(339)
Share based payments (Note 15)	-	149	-	-	-	-	-	-	149	-	149
<b>At 30 June 2018</b>	<b>11,720</b>	<b>309</b>	<b>-</b>	<b>(514)</b>	<b>4,100</b>	<b>6</b>	<b>(47)</b>	<b>11,783</b>	<b>27,357</b>	<b>3,181</b>	<b>30,538</b>

# Notes to the consolidated financial statements

## 1. Corporate information

The financial report of Bisalloy Steel Group Limited and its subsidiaries ("the Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the directors on 29 August 2018.

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

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

## 2. Summary of significant accounting policies

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### a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. 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.

### New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year.

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

#### a) Basis of preparation (continued)

##### Comparative information

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

#### b) Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

#### c) 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. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

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 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.

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

#### c) Basis of consolidation and investments in joint venture (continued)

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 outside operating profit or loss after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

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

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

##### Significant accounting judgements

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

##### Significant accounting estimates and assumptions

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

##### *Net realisable value of inventory*

The Group undertakes a detailed review of its inventory by major product category to ensure its provisions reflect inventory at the lower of cost and net realisable value. This review takes into consideration management's assessment of current and forecast market conditions, including drivers of the price of quenched and tempered steel and alloyed steel plate.

##### *Impairment of other non-financial assets*

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have been reversed.

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

#### d) Significant accounting judgements, estimates and assumptions (continued)

##### *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).

#### e) 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.

#### f) 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.

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

#### f) Taxation (continued)

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

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

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

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

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

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

Bisalloy Steel Group Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

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.

#### g) 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.



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

### h) Trade and other receivables

Trade and other receivables are carried at amounts due less an allowance for any uncollectible amounts. The collectability of debts is assessed at balance date and provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Trade debtors are generally on 30-60 day terms. These are non-interest bearing.

### i) Inventories

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

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

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

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.

### j) Property, plant and equipment

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

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

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

- Land	not depreciated
- Buildings	50 years
- Plant and equipment	5 – 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.

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

#### j) Property, plant and equipment (continued)

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.

##### *Information technology costs*

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and / or cost reduction are capitalised to information technology costs. Amortisation is calculated on a straight line basis over periods not exceeding 10 years.

#### k) Trade and other payables

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

#### l) Contributed equity

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

#### m) Employee benefits

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

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

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

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

#### n) Share-based payment transactions

Employees (including directors and other senior executives) of the Group receive remuneration in the form of a grant of Rights, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). There is currently a Share Rights Plan in place to provide these benefits.

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.

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

#### n) Share-based payment transactions (continued)

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'). The cumulative expense recognised for equity-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 opinion is formed based on the best available information at balance date. The statement of 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) Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

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.

#### 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.

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

#### r) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duty. The specific recognition criteria described below must also be met before revenue is recognised:

##### *Sale of goods*

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the customer, which is on delivery of the goods. Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

##### *Interest income*

Interest income is recognised as it accrues using the effective interest (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.

#### s) 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).

#### t) Leases

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

##### *Group as a lessee*

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

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

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

#### u) 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.

#### v) 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.

#### w) Derivative financial instruments and hedging

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

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

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

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

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

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

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

#### w) Derivative financial instruments and hedging (continued)

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 or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict 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.

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

#### x) 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.



## Notes to the consolidated financial statements

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

#### y) Changes in accounting standards

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2018. Those that may be applicable to the Group are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	Financial Instruments	<p>AASB 9 Financial Instruments sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.</p> <p><i>i. Classification – Financial assets</i> AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under AASB 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.</p> <p><i>ii. Impairment – Financial assets and contract assets</i> AASB 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis. The new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets. Under AASB 9, loss allowances will be measured on either of the following bases: – 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and – lifetime ECLs: these are ECLs that result from all possible default events</p>	1 January 2018	<p>The Group has completed an initial assessment and at this stage considers the amendments are not expected to have a significant impact on the financial statements as the Group does not have any material "non-vanilla" loans or receivables and does not have any hedges in place. Based on its initial assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables. The Group initially believes the changes will not have a significant impact on the financial statements. The Group expects to take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of AASB 9 will generally be recognised in retained earnings and reserves as at 1 July 2018.</p>	1 July 2018



## Notes to the consolidated financial statements

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
		<p>over the expected life of a financial instrument. Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group has chosen to apply this policy also for trade receivables and contract assets with a significant financing component.</p> <p><i>-Trade and other receivables, including contract assets.</i></p> <p>The Group estimated that application of AASB 9's impairment requirements at 1 July 2018 results in a non-significant impact.</p> <p><i>-Cash and Cash Equivalents.</i></p> <p>The cash and cash equivalents are held with bank and financial institution counterparties. The estimated impairment on cash and cash equivalents was calculated based on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The Group used a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt securities.</p> <p><i>iii. Hedge Accounting</i></p> <p>The impacts on hedge accounting will be considered under AASB 9, but not at present as no hedges are currently in place.</p> <p><i>iv. Disclosures</i></p> <p>AASB 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current processes and the Group is in the process of implementing the system and controls changes that it believes will be necessary to capture the required data.</p> <p><i>v. Transition</i></p> <p>Changes in accounting policies resulting from the adoption of AASB 9 will generally be applied retrospectively, except as described below.</p>			

## Notes to the consolidated financial statements

AASB 15	Revenue from Contracts with Customers	<p>AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes.</p> <p><i>i. Sales of goods</i> For the sale of products, revenue is currently recognised when the goods are delivered to the customers' premises, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognised at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under AASB 15, revenue will be recognised when a customer obtains control of the goods. Given the nature of the goods produced by the Group, it is expected that revenue will continue to be recognised when the goods are delivered to the customer and they have control of the product. For certain contracts that permit the customer to return an item, revenue is currently recognised when a reasonable estimate of the returns can be made, provided that all other criteria for revenue recognition are met. If a reasonable estimate cannot be made, then revenue recognition is deferred until the return period lapses or a reasonable estimate of returns can be made. Under AASB 15, revenue will be recognised for these contracts to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognised will not occur. As a consequence, for those contracts for which the Group is unable to make a reasonable estimate of return, revenue is expected to be recognised sooner than when the return period lapses or a reasonable estimate can be made.</p> <p><i>ii. Transition</i> The Group plans to adopt AASB 15 using the cumulative effect method, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2018). As a result, the Group will not apply the requirements of AASB 15 to the comparative period presented.</p>	1 January 2018	<p>The company has carried out an initial assessment of the impact of AASB15 and the initial view is that it is unlikely there will be any significant impact on the financial statements. The initial estimated impact on retained earnings and NCI at 1 July 2018 as a result of changes in accounting for these contracts is immaterial.</p>	1 July 2018
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## Notes to the consolidated financial statements

AASB16	Leases	<p>AASB 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.</p> <p>The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply AASB 15 at or before the date of initial application of AASB 16.</p> <p>AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.</p> <p><i>i. Transition</i></p> <p>As a lessee, the Group can either apply the standard using a:</p> <ul style="list-style-type: none"> <li>– retrospective approach; or</li> <li>– modified retrospective approach with optional practical expedients.</li> </ul> <p>The lessee applies the election consistently to all of its leases. The Group is considering whether to apply AASB 16 from 1 July 2019, using the modified retrospective approach. When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition.</p>	1 January 2019	<p>The company has carried out an initial assessment of the impact of AASB16 and the initial view is that it is unlikely there will be any significant impact on the financial statements as the only operating leases that the Group hold relate to four motor vehicles and mainframe servers in Australia.</p> <p>The actual impact of applying AASB 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 July 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.</p> <p>So far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases in Australia.</p> <p>In addition, the nature of the expenses related to those leases will now change as AASB 16 replaces the straight line operating lease expense with a depreciation charge for right of use assets and interest expense on lease liabilities.</p> <p>No significant impact is expected for the Group's finance leases.</p> <p>The Group is assessing the potential impact of using these practical expedients.</p> <p>The Group is not required to make any adjustments for leases in which it is a lessor except where it is an intermediate lessor in a sub-lease.</p>	1 July 2019
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### 3. Financial Risk Management

#### Overview

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

- Credit risk
- Liquidity risk
- Market risk

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

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

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

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

#### Credit risk

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

#### *Trade and other receivables*

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

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

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

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

### 3. Financial Risk Management (continued)

#### *Trade and other receivables (continued)*

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 has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss is based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for these financial assets is limited to their carrying amounts as disclosed in note 11.

#### **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 30 May 2017 the Group entered into a new facility agreement comprising a \$7m bank bill facility, a \$7m invoice finance facility and a \$2m export working capital facility. On 29 January 2018, the Group increased the \$7m bank bill facility to \$10m. 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 \$57.1m (2017: \$44.8m).

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.

## Notes to the consolidated financial statements

### 3. Financial Risk Management (continued)

#### Liquidity risk (continued)

##### *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 2018.

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 2018.

	Consolidated 2018 \$'000	2017 \$'000
6 months or less	25,190	14,442
6-12 months	2,412	1,901
1-5 years	2,961	8,366
Over 5 years	5,281	-
	<u>35,844</u>	<u>24,709</u>

##### *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

### 3. Financial Risk Management (continued)

	<=6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Year ended 30 June 2018</b>					
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	2,585	-	-	-	2,585
Trade and other receivables	19,394	-	-	-	19,394
Income tax receivable	-	-	-	-	-
Derivatives (1)	-	-	-	-	-
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
	21,979	-	-	-	21,979
<b>Financial liabilities</b>					
Trade and other payables	24,163	-	-	-	24,163
Interest bearing loans and borrowings	450	2,412	2,961	5,281	11,104
Income Tax Payable	577	-	-	-	577
Derivatives – gross settled (1)	-	-	-	-	-
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
	25,190	2,412	2,961	5,281	35,844
<b>Net inflow/(outflow)</b>	(3,211)	(2,412)	(2,961)	(5,281)	(13,865)
(1) Derivatives are measured at fair value through other comprehensive income.					

## Notes to the consolidated financial statements

### 3. Financial Risk Management (continued)

	≤6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
<b>Year ended 30 June 2017</b>					
<b>Consolidated</b>					
<b>Financial assets</b>					
Cash and cash equivalents	3,984	-	-	-	3,984
Trade and other receivables	14,909	-	-	-	14,909
Income tax receivable	31	-	-	-	31
Derivatives (1)					
Inflows	-	-	-	-	-
Outflows	-	-	-	-	-
	18,924	-	-	-	18,924
<b>Financial liabilities</b>					
Trade and other payables	14,197	-	-	-	14,197
Interest bearing loans and borrowings	212	1,901	8,366	-	10,479
Income Tax Payable	-	-	-	-	-
Derivatives – gross settled (1)					
Inflows	-	-	-	-	-
Outflows	33	-	-	-	33
	14,442	1,901	8,366	-	24,709
<b>Net inflow/(outflow)</b>	4,482	(1,901)	(8,366)	-	(5,785)
(1) Derivatives are measured at fair value through other comprehensive income.					

#### 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 macro economic 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.



## Notes to the consolidated financial statements

### 3. Financial Risk Management (continued)

#### *Sensitivity analysis*

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

	Post tax profit Higher / (Lower)		Effect on equity Higher / (Lower)	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Sensitivity to USD</b>				
<b>Consolidated</b>				
AUD/USD +10%	(207)	63	-	-
AUD/USD -10%	253	(77)	-	-

#### **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 2018, the Group had the following mix of financial assets and liabilities exposed to variable interest rates that are not designated in cash flow hedges.

	Consolidated	
	2018 \$'000	2017 \$'000
<b>Financial Assets</b>		
Cash and cash equivalents	2,582	3,981
<b>Financial Liabilities</b>		
Bank loans	(8,502)	(8,689)
<b>Net exposure</b>	(5,920)	(4,708)

## Notes to the consolidated financial statements

### 3. Financial Risk Management (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 +1.0/-1.0 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period.

	Post tax profit Higher / (Lower)		Other comprehensive income Higher / (Lower)	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
+1% (100 basis points)	(41)	(33)	-	-
- 1% (100 basis points)	41	33	-	-

#### **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 2018 the fair values of land, buildings and improvements were determined by reference to valuations performed in June 2018 (Note 14 (b)). For properties not subject to independent valuations, fair value was determined by Directors' valuation.

## Notes to the consolidated financial statements

### 3. Financial Risk Management (continued)

	Year ended 30 June 2018				Year ended 30 June 2017			
	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total	Quoted market price (Level 1)	Valuation technique-market observable inputs (Level 2)	Valuation technique-non market observable inputs (Level 3)	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Consolidated</b>								
<b>Assets</b>								
Land & Buildings	-	-	10,385	10,385	-	-	10,237	10,237
Foreign exchange contracts					-	-	-	-
	-	-	10,385	10,385	-	-	10,237	10,237
<b>Liabilities</b>								
Foreign exchange contracts	-	-	-	-	-	33	-	33
	-	-	-	-	-	33	-	33

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 interest bearing loans and borrowings approximates the carrying value.

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

Bisalloy Steel Group Limited is the corporate entity, also located in Unanderra NSW, which incurs expenses such as head office costs and interest. All corporate charges relate to the Australian operations and are linked to Australian segment revenue only.

##### *Overseas operations*

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

##### *Other operations*

Represent the costs associated with the operation of the Corporate headquarters, including Directors fees, ASX listing charges and finance costs.

#### Accounting policies and inter-segment transactions

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

##### *Inter-entity sales*

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

#### Major customers

The group has a number of customers to which it provides products. There are three major distributors who account for 30% (2017: 21%), 16% (2017: 18%) and 13% (2017: 14%) of total external revenue. All these customers are in the Australian operating segment.

## Notes to the consolidated financial statements

### 4. Operating segments (continued)

	Australia \$'000	Overseas \$'000	Total \$'000
<b>Year ended 30 June 2018</b>			
<b>Revenue:</b>			
Sales to external customers	72,143	16,443	88,586
Inter-segment sales	7,313	-	7,313
Total segment revenue	79,456	16,443	95,899
Inter-segment elimination			(7,313)
Total consolidated revenue			88,586
<b>Segment net operating profit after tax</b>	<b>2,304</b>	<b>1,546</b>	<b>3,850</b>
Interest income	-	52	52
Interest expense	(745)	(135)	(880)
Depreciation	(1,480)	(121)	(1,601)
Share of profit of joint venture	-	1,403	1,403
Income tax expense	(1,309)	(374)	(1,683)
<b>Segment assets</b>	<b>57,140</b>	<b>18,025</b>	<b>75,165</b>
Capital expenditure	2,119	82	2,201
<b>Segment liabilities</b>	<b>30,274</b>	<b>5,470</b>	<b>35,744</b>

	Australia \$'000	Overseas \$'000	Total \$'000
<b>Year ended 30 June 2017</b>			
<b>Revenue:</b>			
Sales to external customers	47,608	16,435	64,043
Inter-segment sales	10,197	-	10,197
Total segment revenue	57,805	16,435	74,240
Inter-segment elimination			(10,197)
Total consolidated revenue			64,043
<b>Segment net operating profit after tax</b>	<b>329</b>	<b>1,426</b>	<b>1,755</b>
Interest income	-	18	18
Interest expense	(913)	(80)	(993)
Depreciation	(1,393)	(90)	(1,483)
Share of profit of joint venture	-	659	659
Income tax expense	(494)	(403)	(897)
<b>Segment assets</b>	<b>43,910</b>	<b>19,730</b>	<b>63,640</b>
Capital expenditure	1,832	253	2,085
<b>Segment liabilities</b>	<b>21,791</b>	<b>5,963</b>	<b>27,754</b>

## Notes to the consolidated financial statements

### 4. Operating segments (continued)

	Consolidated	
	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
<b>i) Segment revenue reconciliation to the statement of comprehensive income</b>		
Total segment revenue	95,899	74,240
Inter-segment sales elimination	(7,313)	(10,197)
Total revenue	<u>88,586</u>	<u>64,043</u>

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

Australia	61,153	37,891
Indonesia	15,103	14,139
Thailand	2,891	4,305
Other foreign countries	9,439	7,708
Total revenue	<u>88,586</u>	<u>64,043</u>

### 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. A segment's net operating profit after tax excludes non-operating income and expense such as dividends received, fair value gains and losses and impairment charges.

	Consolidated	
	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Reconciliation of segment net operating profit after tax to net profit before tax		
Segment net operating profit after tax	3,850	1,755
Income tax expense	1,683	897
Total net profit before tax per the statement of profit or loss	<u>5,533</u>	<u>2,652</u>

## Notes to the consolidated financial statements

### 4. Operating segments (continued)

#### 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 available-for-sale assets, derivative assets, deferred tax assets, and pension assets.

	Consolidated	
	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Reconciliation of segment operating assets to total assets		
Segment operating assets	75,165	63,640
Inter-segment eliminations	(6,672)	(9,175)
Income tax receivable	-	31
Derivative assets	-	-
Total assets per the statement of financial position	68,493	54,496

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

Australia	19,025	16,504
Overseas	2,379	3,442
Total assets	21,404	19,946

#### 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 Australia operations. Each Australian entity or business uses this central function to invest excess cash or obtain funding for its operations. The executive management committee reviews the level of debt for each segment in the monthly meetings.

	Consolidated	
	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
Reconciliation of segment operating liabilities to total liabilities		
Segment operating liabilities	35,744	27,754
Inter-segment eliminations	(3,079)	(4,869)
Income tax payable	577	-
Employee Benefit Liabilities	3,228	2,777
Derivative liability	-	33
Deferred tax liabilities	1,485	1,384
Total liabilities per the statement of financial position	37,955	27,079

## Notes to the consolidated financial statements

### 5. Other income and expenses

		Consolidated	
		Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
<b>(a) Other income / (expenses)</b>			
Foreign exchange gain / (loss)		(360)	(169)
Other		(46)	5
		<u>(406)</u>	<u>(164)</u>
<b>(b) Finance (income) and costs</b>			
Bank interest and borrowing costs		880	993
Total finance costs		<u>880</u>	<u>993</u>
Bank interest		(52)	(18)
Total finance income		<u>(52)</u>	<u>(18)</u>
<b>(c) Depreciation and costs of inventories included in statement of comprehensive income</b>			
Depreciation and amortisation		1,601	1,483
These costs are apportioned over several functions of the Group based on the use of each asset.			
Costs of inventories recognised as an expense		<u>58,884</u>	<u>44,457</u>
<b>(d) Lease payment and other expenses included in statement of profit or loss</b>			
Rental – operating leases		<u>252</u>	<u>237</u>
<b>(e) Employee benefits expense</b>			
Wages and salaries		12,502	10,815
Superannuation costs		915	940
Expense of share-based payments		149	121
		<u>13,566</u>	<u>11,876</u>



## Notes to the consolidated financial statements

### 6. Investment in a joint venture

Interests in associates and 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.

In July 2011, the Group signed a Cooperative Joint Venture Agreement with Jigang Iron & Steel Co., Limited to establish Bisalloy Jigang Steel Plate (Shandong) Co., Limited ('the joint venture') for the marketing 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 has 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 a 33% ownership of the equity and a 50% share in the operating result of the joint venture.

Dividends of \$792,714 (2017:Nil) were received from the JV during the year.

		Consolidated	
		30-Jun 2018 \$'000	30-Jun 2017 \$'000
Joint venture's statement of financial position:			
Current assets, including cash of \$4,905,744 (2017: \$3,503,664)		20,725	14,756
Non-current assets		35	64
Current liabilities		(12,793)	(7,957)
<b>Equity</b>		<b>7,967</b>	<b>6,863</b>
Joint ventures revenue and profit:			
Revenue		32,911	17,250
Expenses		(29,447)	(15,257)
Finance income / (expense)		(38)	(26)
Profit before income tax		3,426	1,967
Income tax		(620)	(649)
Profit for the year		2,806	1,318
<b>Group's share of profit</b>		<b>1,403</b>	<b>659</b>
<b>Carrying amount of the investment</b>		<b>2,720</b>	<b>2,109</b>

The assets and liabilities are disclosed at their carrying value which is approximate to their fair value.

The joint venture has no capital commitments or contingent liabilities at 30 June 2018 (2017:None).

In June 2018, it was agreed by both parties in the joint venture to increase the registered capital of the CJV. Bisalloy will contribute a further US\$1.5 million in capital by the end of June 2019, which will be matched by JV partner, Shandong Steel. The source of the capital will come from the undistributed profits at 30 June 2018 and 30 June 2019 which will be retained in the JV.

## Notes to the consolidated financial statements

### 7. Income tax

	Consolidated	
	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
<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	1,668	1,102
Adjustments in respect of current income tax of previous years	5	19
	<u>1,673</u>	<u>1,121</u>
<b>Deferred income tax</b>		
Relating to origination and reversal of temporary differences	10	(224)
Income tax expense	<u><b>1,683</b></u>	<u><b>897</b></u>
The income tax expense for the period is disclosed as follows:		
Income tax expense attributable to continuing operations	1,683	897
	<u><b>1,683</b></u>	<u><b>897</b></u>
<b>(b) Amounts charged or credited directly to equity</b>		
<i>Deferred income tax related to items charged or credited directly to equity</i>		
Net gain on revaluation of land and buildings and derivative assets	88	657
Income tax expense reported in equity	<u><b>88</b></u>	<u><b>657</b></u>
<b>(c) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate</b>		
Accounting profit before tax	5,533	2,652
At the Group's statutory income tax rate of 30% (2017: 30%)	1,660	796
Consolidation adjustment to prior year CFC temporary tax difference	78	28
Income assessable for tax purposes	251	398
Expenditure not allowable for tax purposes	145	138
Foreign tax credits allowed	(68)	-
De-recognition of foreign income tax credits	-	(208)
Income not assessable for tax purposes	(438)	(321)
Expenditure allowable for tax purposes	(29)	47
Non-allowable withholding tax on foreign joint venture dividend	79	-
Adjustments in respect of current income tax of previous years	5	19
<b>Income tax expense on pre-tax net profit</b>	<u><b>1,683</b></u>	<u><b>897</b></u>

## Notes to the consolidated financial statements

### 7. Income tax (continued)

	Statement of financial position		Statement of comprehensive income		Equity	
	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017	Year ended 30 June 2018	Year ended 30 June 2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>(d) Deferred income tax</b>						
Deferred income tax at 30 June relates to the following:						
<i>CONSOLIDATED</i>						
Property, plant and equipment	(2,403)	(2,344)	(32)	(29)	92	661
Employee entitlement provisions	587	522	(67)	(15)	-	-
Other provisions and accruals	197	78	(122)	(25)	-	-
Inventory	(71)	78	149	(50)	-	-
Other	205	273	68	(95)	-	-
Foreign income tax credits	-	-	-	-	-	-
Derivatives	-	10	14	(10)	(4)	(4)
Deferred tax (liabilities)/assets reflected in the balance sheet	<b>(1,485)</b>	<b>(1,383)</b>				
Deferred tax credit/expense			<b>10</b>	<b>(224)</b>		
Equity					<b>88</b>	<b>657</b>
<b>(e) Current income tax at 30 June relates to the following:</b>						
The current tax payable for the Consolidated entity of \$577,258 (2017: receivable \$30,936) represents the amount of income tax payable in respect of the current and prior periods that arises from the payment of tax in deficit of the amounts due to the relevant tax authority.						
The Consolidated entity liability includes both the income tax payable by all members of the tax consolidated group and those members outside the tax consolidated group and outside the Australian tax jurisdiction.						
<b>(f) Unrecognised temporary differences</b>						
At 30 June 2018, 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 (2017: Nil).						
<b>(g) Tax consolidation</b>						
<i>(i) Members of the tax consolidation group and the tax sharing arrangement</i>						
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.						
<i>(ii) Tax effect accounting by members of the tax consolidated group</i>						
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

### 8. Earnings per share (EPS)

	Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Net profit for the period	3,850	1,755
Net profit attributable to non-controlling interest holders	(214)	(246)
Net profit attributable to equity holders of the parent (used in calculating basic and diluted EPS)	<u>3,636</u>	<u>1,509</u>
	<b>Thousands</b>	<b>Thousands</b>
Weighted average number of ordinary shares for basic earnings per share	44,312	44,148
Effects of dilution:		
Performance rights	1,508	1,763
Adjusted weighted average number of ordinary shares for diluted earnings per share	<u>45,820</u>	<u>45,911</u>
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	<u>41</u>	<u>50</u>

### 9. Dividends paid or proposed

		Consolidated	
		Year ended 30 June 2018 \$'000	Year ended 30 June 2017 \$'000
<b>(a) Dividends paid during the year</b>			
Interim	-	-	
Final	1,105	1,102	
	<u>1,105</u>	<u>1,102</u>	
<b>(b) Proposed dividend (not recognised as a liability as at 30 June)</b>			
Final dividend for 2018: 4.0 cents per share (2017: 2.5 cents per share)	<u>1,767</u>	<u>1,105</u>	
<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%	4,458	4,365	
Franking credits that will arise from the payment of tax as at the end of the financial year	486	172	
Franking debits that will arise from the payment of dividends as at the end of the financial year	(757)	(474)	
	<u>4,187</u>	<u>4,063</u>	

## Notes to the consolidated financial statements

### 10. Cash and cash equivalents

		Consolidated	
		30 June 2018 \$'000	30 June 2017 \$'000
<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		2,582	3,981
Cash at hand		3	3
<b>Total</b>		<b>2,585</b>	<b>3,984</b>
<b>(b) Reconciliation of net profit after income tax to net cash provided by operations</b>			
Net profit after tax		3,850	1,755
<b>Non-cash items</b>			
Depreciation and amortisation		1,601	1,483
Share-based payments expense		149	121
Impairment and write-off of current assets		42	54
Profit on sale of fixed assets		(16)	(10)
Share of profit of a joint venture		(1,403)	(659)
Net fair value change on derivatives		33	(46)
Decrease/(increase) in foreign currency translation		295	(592)
<b>Change in operating assets and liabilities</b>			
(Increase)/decrease in receivables and other assets		(4,399)	(4,599)
(Increase)/decrease in inventories		(9,612)	743
Increase/(decrease) in tax assets and liabilities		618	(368)
Decrease/(increase) in other financial assets		-	-
Decrease/(increase) in prepayments		134	201
Increase/(decrease) in trade creditors		9,670	8,112
Increase/(decrease) in employee benefit liabilities		451	219
Settlement of share rights		-	-
<b>Net cash used in operating activities</b>		<b>1,413</b>	<b>6,414</b>
<b>(c) Disclosure of financing facilities</b>			
Refer note 18			
<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		279	1,759
Repayment of borrowings		(466)	(1,670)
<b>Net cash used in financing activities</b>		<b>(187)</b>	<b>89</b>

## Notes to the consolidated financial statements

### 11. Trade and other receivables

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Trade receivables	19,107	15,050
Less: Provision for doubtful debts	(190)	(179)
	<b>18,917</b>	<b>14,871</b>
Other	374	38
Goods and services tax	103	-
	<b>477</b>	<b>38</b>
	<b>19,394</b>	<b>14,909</b>
Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.		

At 30 June, the ageing analysis of trade receivables is as follows:

		Total	Current	0-30 Days	31-60 Days	61-90 Days PDNI*	61-90 Days CI*	+91 Days PDNI*	+91 Days CI*
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2018	Consolidated	19,107	15,158	1,995	834	389	-	541	190
2017	Consolidated	15,050	10,633	2,987	436	206	-	609	179

\* Past due not impaired ('PDNI')  
Considered impaired ('CI')

Receivables past due and considered impaired are \$190,092 (2017: \$178,737) which relate to specific receivables. Credit has been stopped on these accounts until full payment is made. The Group reports the aged status of receivables against original terms of trade and does not adjust for renegotiated terms.

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 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 3.

## Notes to the consolidated financial statements

### 12. Inventories

		Consolidated	
		30 June 2018 \$'000	30 June 2017 \$'000
Current			
	Raw materials and stores	3,446	1,545
	Finished goods	20,906	13,237
		<b>24,352</b>	<b>14,782</b>

#### (a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2018 totalled \$58,884,000 (2017: \$44,457,000). This expense has been included in the cost of sales line item as a cost of inventories.

The amount expensed includes \$41,710 (2017: \$53,530) for the Group relating to inventory write-downs.

### 13. Other financial assets

		Consolidated	
		30 June 2018 \$'000	30 June 2017 \$'000
Current			
	Prepayments	758	844
		<b>758</b>	<b>844</b>
Non-current			
	Prepayments	-	49
		<b>-</b>	<b>49</b>

## Notes to the consolidated financial statements

### 14. Property, plant and equipment

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

	Freehold land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Consolidated</b>				
<b>Year ended 30 June 2018</b>				
At 1 July 2017, net of accumulated depreciation and impairment	10,237	23	7,528	17,788
Additions	-	-	2,201	2,201
Disposals	-	-	-	-
Revaluations	366	-	-	366
Depreciation and amortisation charge for the year	(155)	(1)	(1,445)	(1,601)
Exchange adjustment	(63)	-	(7)	(70)
At 30 June 2018, net of accumulated depreciation and impairment	10,385	22	8,277	18,684
<b>At 1 July 2017</b>				
Cost or fair value	11,918	65	20,150	32,133
Accumulated depreciation and impairment	(1,681)	(42)	(12,622)	(14,345)
Net carrying value	10,237	23	7,528	17,788
<b>At 30 June 2018</b>				
Cost or fair value	12,206	65	22,230	34,501
Accumulated depreciation and impairment	(1,821)	(43)	(13,953)	(15,817)
Net carrying value	10,385	22	8,277	18,684



## Notes to the consolidated financial statements

### 14. Property, plant and equipment (continued)

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

	Freehold land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Consolidated</b>				
<b>Year ended 30 June 2017</b>				
At 1 July 2016, net of accumulated depreciation and impairment	7,733	24	7,005	14,762
Additions	200	-	1,886	2,086
Disposals	-	-	-	-
Revaluations	2,445	-	-	2,445
Depreciation and amortisation charge for the year	(123)	(1)	(1,359)	(1,483)
Exchange adjustment	(18)	-	(4)	(22)
At 30 June 2017, net of accumulated depreciation and impairment	10,237	23	7,528	17,788
<b>At 1 July 2016</b>				
Cost or fair value	9,277	65	18,256	27,598
Accumulated depreciation and impairment	(1,544)	(41)	(11,251)	(12,836)
Net carrying value	7,733	24	7,005	14,762
<b>At 30 June 2017</b>				
Cost or fair value	11,918	65	20,150	32,133
Accumulated depreciation and impairment	(1,681)	(42)	(12,622)	(14,345)
Net carrying value	10,237	23	7,528	17,788

#### (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 2018, 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 2018 and fair value was determined as \$2,148,000.

In 2017, 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 2017 and fair value was determined as \$8,350,000.

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

For June 2018, it was determined by Directors' valuation that there was no significant change in fair value for its Australian land and buildings.

## Notes to the consolidated financial statements

### 14. Property, plant and equipment (continued)

- (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:

	2018 Freehold land and buildings \$'000	2017 Freehold land and buildings \$'000
Cost	5,395	5,473
Accumulated depreciation and impairment	(1,520)	(1,559)
Net carrying amount	<u>3,875</u>	<u>3,914</u>

## 15. 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 2015 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 2018 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 his share rights and be allocated a fully paid ordinary share of Bisalloy at no cost to the employee.

During the 30 June 2018 financial year 500,000 share rights were granted 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 7.7% dividend yield for Grants 6 and 7, a 5.5% dividend yield for Grant 8 and a 5.1% dividend yield for Grants 9 and 10 (based on historic and future estimates at the time) formed the basis of the valuation. Refer to note 2(n) for further details on the valuation methodology.

The following table lists the valuation outputs for outstanding grants as at 30 June 2018:

	Expiry term of three years	
	Value of one right	Proportion of rights that vest
Grant 6	\$0.42	82.2%
Grant 7	\$0.33	0%
Grant 8	\$0.39	82.3%
Grant 9	\$0.82	100%
Grant 10	\$0.75	100%

## Notes to the consolidated financial statements

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

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

	Grant 6	Grant 7	Grant 8	Grant 9	Grant 10	Total
	Unvested	Unvested	Unvested	Unvested	Unvested	
Grant date	26 Feb 2016	23 Mar 2016	19 Oct 2016	16 April 2018	15 June 2018	
Expiry date	25 Feb 2019	22 Mar 2019	18 Oct 2019	15 April 2021	14 June 2021	
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	
<b>Balance at 30 June 2016</b>	<b>1,000,000</b>	<b>1,000,000</b>	-	-	-	<b>2,000,000</b>
New grants in the year	-	-	400,000	-	-	400,000
Exercised in the year	-	-	-	-	-	-
Lapsed during the year	(89,868)	(635,947)	(35,948)	-	-	(761,763)
<b>Balance at 30 June 2017</b>	<b>910,132</b>	<b>364,053</b>	<b>364,052</b>	-	-	<b>1,638,237</b>
<b>Exercisable at 30 June 2017</b>	-	-	-	-	-	-
New grants in the year	-	-	-	400,000	100,000	500,000
Exercised in the year	-	-	-	-	-	-
Lapsed during the year	(87,667)	(364,053)	(35,067)	-	-	(486,787)
<b>Balance at 30 June 2018</b>	<b>822,465</b>	-	<b>328,985</b>	<b>400,000</b>	<b>100,000</b>	<b>1,651,450</b>
<b>Exercisable at 30 June 2018</b>	-	-	-	-	-	-

The weighted average remaining contractual life for the share rights outstanding as at 30 June 2018 is 1.63 years (2017: 1.86 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 \$149,582 (2017: \$121,121).

### 16. 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.

## Notes to the consolidated financial statements

### 17. Trade and other payables

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Trade payables	22,009	12,436
Other payables and accruals	2,154	1,761
	<b>24,163</b>	<b>14,197</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 3.

### 18. Interest-bearing loans and borrowings

	Consolidated	
	30 June 2018 \$'000	30 June 2017 \$'000
Current		
Borrowings secured by fixed and floating charges	2,434	1,689
Non-current		
Borrowings secured by fixed and floating charges	6,068	7,000

#### 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 3.

#### Assets pledged as security

The fixed and floating charge covers all current and future assets of the Bisalloy Closed Group (note 23).

## Notes to the consolidated financial statements

### 18. Interest-bearing loans and borrowings (continued)

	Consolidated	
	30-Jun 2018 \$'000	30-Jun 2017 \$'000
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities		
- invoice finance facility (incl. bank guarantees) (i)	10,000	7,000
- bank bill facility (i)	6,534	7,000
- export working capital facility (i)	2,000	2,000
- Bisalloy Thailand facility (ii)	123	115
- PT Bima facility (iii)	2,800	2,698
	<u>21,457</u>	<u>18,813</u>
Facilities used at reporting date		
Current		
- invoice finance facility (incl. bank guarantees)	-	-
- PT Bima facility	1,968	1,689
- bank bill facility	466	
	<u>2,434</u>	<u>1,689</u>
Non-current		
- bank bill facility	6,068	7,000
	<u>6,068</u>	<u>7,000</u>
	<u>8,502</u>	<u>8,689</u>
Facilities unused at reporting date		
- invoice finance facility (incl. bank guarantees)	10,000	7,000
- bank bill facility	-	-
- export working capital facility	2,000	2,000
- Bisalloy Thailand facility	123	115
- PT Bima facility	832	1,009
	<u>12,955</u>	<u>10,124</u>
(i) On 30 May 2017 Bisalloy Steel Group Ltd entered into a facility with Westpac Banking Corporation. This facility currently provides Bisalloy Steel Group Limited and Bisalloy Steels Pty Ltd with a:		
<ul style="list-style-type: none"> <li>• \$10m invoice finance facility;</li> <li>• \$6.5m bank bill facility; and</li> <li>• \$2m export working capital facility</li> </ul>		
The facility is secured by a fixed and floating charge over all assets of the Closed Group. The facility is subject to usual provisions such as negative covenants and various undertakings, including compliance with an equity ratio covenant, a leverage ratio covenant and an interest coverage ratio. The bank bill facility has a three year term, whilst the other facilities are ongoing. The drawn invoice finance facility balance is limited to the value of the available collateral being eligible receivables, and fluctuates daily. The facility is variable rate linked to an interest rate plus a fixed margin. The average variable interest rate for the year is 4.95% (2017: 5.13%).		
(ii) The Group had a THB 3m bank overdraft facility available to its Thailand based subsidiary as at 30 June 2018. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.		

## Notes to the consolidated financial statements

### 18. Interest-bearing loans and borrowings (continued)

(iii) The Group has IDR 1billion and USD\$2,000,000 revolver facilities as well as two Letter of Credit facilities, one for USD\$500,000 and the other for €601,556 available to its Indonesian based subsidiary. These facilities are secured by a charge over the assets of the Indonesian subsidiary.

### 19. Employee Benefit Liabilities

	30-Jun 2018 \$'000	30-Jun 2017 \$'000
<b>Current</b>		
Employee Entitlements	2,422	1,507
<b>Non- Current</b>		
Employee Entitlements	274	318
Defined Benefit Plan	532	952
	806	1,270
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:		
	2018 %	2017 %
Discount rate	8.0	7.5
Future salary increases	8.0	8.0

### 20. Derivative financial instruments

	Consolidated	
	30-Jun 2018 \$'000	30-Jun 2017 \$'000
<b>Current Assets</b>		
Forward currency contracts - Cash flow hedges	-	-
Forward currency contracts – Fair value hedges	-	-
	-	-
<b>Current Liabilities</b>		
Forward currency contracts - Cash flow hedges	-	-
Forward currency contracts – Fair value hedges	-	33
	-	33

#### 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.

## Notes to the consolidated financial statements

### 20. Derivative financial instruments (continued)

#### Forward currency contracts

##### *Inventory purchases*

During the year ended 30 June 2018, 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 US\$0 (2017: US\$2,125,000). These contracts hedged highly probable forecasted purchases and they were timed to mature when payments are scheduled to be made.

##### *Cash flow hedges*

These hedges are considered cash flow hedges to the point where a purchase invoice is received (and a payable financial liability generated). From this point the hedge protects the financial liability from exchange rate movements and is, therefore, a fair value hedge.

The cash flows of these hedges were expected to occur between 1 – 6 months from balance date and the profit and loss will be affected over 12 months as the inventory is either used in production or sold. As at balance date, the details of outstanding contracts in respect of inventory purchases were:

	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 Avg Exchange Rate	30 June 2017 Avg Exchange Rate
Buy US\$/Sell Australian \$	-	-	-	-

##### *Fair value hedges*

As referred to above, once a purchase invoice has been received for a forecast purchase for which a cash flow hedge was taken out, the hedge now protects the financial liability from exchange rate movements and is, therefore, reclassified as a fair value hedge. As at balance date, the details of outstanding contracts in respect of fair value hedges were:

	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 Avg Exchange Rate	30 June 2017 Avg Exchange Rate
Buy US\$/Sell Australian \$	-	2,796	-	0.7600

#### Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

#### Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management only undertakes such contracts with major Australian banks and financial institutions.



## Notes to the consolidated financial statements

### 21. Contributed equity and reserves

	Consolidated	
	30 June	30 June
	2018	2017
	\$'000	\$'000
(a) Ordinary shares, issued and fully paid	11,720	11,575

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

	2018		2017	
	Number of Shares	\$'000	Number of Shares	\$'000
(b) <b>Movements in shares on issue</b>				
Balance at 1 July	44,187,280	11,575	44,082,773	11,531
Shares issued under Dividend Reinvestment Plan	200,017	145	104,507	44
Balance at 30 June	<b>44,387,297</b>	<b>11,720</b>	<b>44,187,280</b>	<b>11,575</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 2018 and 2017.

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 2018 and 2017 were as follows:

	Consolidated	
	30 June	30 June
	2018	2017
	\$'000	\$'000
Total borrowings	8,502	8,689
Less cash and cash equivalents	(2,585)	(3,984)
Net debt	5,917	4,705
Total equity	30,538	27,417
Total capital	<b>36,455</b>	<b>32,122</b>
Gearing ratio	16%	15%

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

## Notes to the consolidated financial statements

### 21. Contributed equity and reserves (continued)

		Consolidated	
		30 June 2018 \$'000	30 June 2017 \$'000
<b>(d) Non-controlling interests</b>			
Balance at 1 July		3,213	3,102
Gain / (loss) on translation of overseas controlled entities		(17)	(305)
Revaluation of land and buildings		110	437
Share of net profit for the year		214	246
Dividends paid		(339)	(267)
Balance at 30 June		<b>3,181</b>	<b>3,213</b>

		Consolidated	
		30 June 2018 \$'000	30 June 2017 \$'000
<b>(e) Retained earnings</b>			
Balance at 1 July		9,214	8,778
Net profit for the year		3,636	1,509
Depreciation transfer for revaluation of buildings		38	29
Dividends paid		(1,105)	(1,102)
Balance at 30 June		<b>11,783</b>	<b>9,214</b>

## Notes to the consolidated financial statements

### 21 Contributed equity and reserves (continued)

		Consolidated						
		Employee equity benefits reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Asset revaluation reserve \$'000	Equity settlemen t Reserve \$'000	Other Reserves \$'000	Total \$'000
<b>(f) Reserves</b>								
	At 30 June 2016	39	(507)	9	2,655	6	-	2,202
	Currency translation differences	-	(213)	-	-	-	-	(213)
	Share-based payments	121	-	-	-	-	-	121
	Revaluation of land and buildings	-	-	-	1,347	-	-	1347
	Net loss on cash flow hedge	-	-	(13)	-	-	-	(13)
	Depreciation transfer for revaluation of buildings	-	-	-	(29)	-	-	(29)
	At 30 June 2017	160	(720)	(4)	3,973	6	-	3,415
	Currency translation differences	-	206	-	-	-	-	206
	Share-based payments	149	-	-	-	-	-	149
	Equity settlement	-	-	-	-	-	-	-
	Net loss on cash flow hedge	-	-	4	-	-	-	4
	Depreciation transfer for revaluation of buildings	-	-	-	(38)	-	-	(38)
	Actuarial losses	-	-	-	-	-	(47)	(47)
	Revaluation of land and buildings	-	-	-	165	-	-	165
	At 30 June 2018	309	(514)	-	4,100	6	(47)	3,854

#### 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 15 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

### 22. Commitments and contingencies

		Consolidated	
		30 June 2018 \$'000	30 June 2017 \$'000
<b>(a) Capital expenditure commitments</b>			
Estimated capital expenditure contracted for at balance date, but not provided for payable:			
Not later than one year		197	825
		<b>197</b>	<b>825</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		250	226
Later than one year, but not later than five years		196	341
Later than five years		-	-
		<b>446</b>	<b>567</b>
These operating lease commitments relate to motor vehicle leases and rent.			
<b>(c) Contingent liabilities</b>			
The directors draw the following contingent liabilities to the attention of users of the financial statements:			
Note 23 regarding the class order between certain subsidiaries and the Company.			

## Notes to the consolidated financial statements

### 23. Related parties

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

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

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

		Consolidated 2018 \$	Consolidated 2017 \$
<b>Director</b> P J Cave	<b>Director – related entity</b> Anchorage Capital Partners Pty Ltd	150,000	120,000
The above amounts were paid in relation to P J Cave's services in his capacity as a director and are included in Directors' remuneration in the Directors' Report.			

### Investments

Name of parent	Country of Incorporation	Percentage of equity interest held by the Consolidated entity 30 June 2018 %	Percentage of equity interest held by the Consolidated entity 30 June 2017 %
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	United States of America	100.00	100.00
<b>Joint venture</b>			
Bisalloy Jigang (Shandong) Steel Plate Co.,Ltd*	People's Republic of China	33.33	33.33
* Refer Note 6 for details regarding equity interest, share of interest and joint control			

#### Entities subject to class order relief

Pursuant to Class Order 2016/785, relief has been granted to Bisalloy Steels Pty Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Class Order, Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited (the "closed" Group) entered into a Deed of Cross Guarantee on the 18<sup>th</sup> 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.

## Notes to the consolidated financial statements

### 23. Related parties (continued)

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:

	Closed Group 30 June 2018 \$'000	Closed Group 30 June 2017 \$'000
<b>i. Consolidated Income Statement</b>		
Profit from continuing operations before income tax	5,069	1,481
Income tax expense	(1,309)	(562)
Profit after income tax	3,760	919
Accumulated profits at the beginning of the year	(2,883)	(2,700)
Dividends provided for or paid	(1,105)	(1,102)
Accumulated profits at the end of the year	(228)	(2,883)
<b>ii. Consolidated Balance Sheet</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,289	2,029
Trade and other receivables	17,543	13,181
Inventories	15,628	7,738
Derivative financial instruments	-	-
Income tax receivable	-	109
Other financial assets	765	692
<b>Total current assets</b>	<b>35,225</b>	<b>23,749</b>
<b>Non-current assets</b>		
Investments	5,490	5,490
Property, plant and equipment	16,305	15,667
Other financial assets	34	48
<b>Total non-current assets</b>	<b>21,829</b>	<b>21,205</b>
<b>Total assets</b>	<b>57,054</b>	<b>44,954</b>
<b>Current liabilities</b>		
Trade and other payables	23,798	14,778
Income tax payable	486	-
Interest bearing liabilities	466	-
Employee Benefit Liabilities	1,682	1,501
Derivative financial instruments	-	33
<b>Total current liabilities</b>	<b>26,432</b>	<b>16,312</b>
<b>Non-current liabilities</b>		
Interest bearing liabilities	6,068	7,000
Other liabilities	-	-
Employee Benefit Liabilities	274	240
Deferred tax liability	1,330	1,403
<b>Total non-current liabilities</b>	<b>7,672</b>	<b>8,643</b>
<b>Total liabilities</b>	<b>34,104</b>	<b>24,955</b>
<b>NET ASSETS</b>	<b>22,950</b>	<b>19,999</b>
<b>Shareholders' equity</b>		
Contributed equity	11,720	11,575
Reserves	11,458	11,307
Accumulated profits	(228)	(2,883)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>22,950</b>	<b>19,999</b>

## Notes to the consolidated financial statements

### 23. Related parties (continued)

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

		Interest and management fees to related parties \$'000	Other \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties \$'000
<b>Related Party</b>					
Bisalloy Shangang Steel Plate (Shandong) Co.,Ltd	2018	-	31	53	-
	2017	-	167	18	-

#### *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 2018 were \$31,000 (2017: \$167,000).

Outstanding balances at year-end are unsecured.

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

	Consolidated	
	30 June 2018	30 June 2017
Short-term employee benefits	2,180,546	2,001,080
Post employment benefits	116,980	138,796
Other long-term benefits	22,607	32,724
Termination benefits	53,765	210,893
Share-based payments	149,582	121,121
<b>Total compensation paid to key management personnel</b>	<b>2,523,480</b>	<b>2,504,614</b>

### 24. Events after the balance date

No significant events after the balance sheet date.

## Notes to the consolidated financial statements

### 25. Auditors' remuneration

The auditor of Bisalloy Steel Group Limited is Ernst & Young.

	Consolidated	
	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
- an audit or review of the financial report of the entity and any other entity in the consolidated Group	175,000	187,000
- tax compliance and advice	-	-
- assurance related	-	-
- other	-	-
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
- an audit or review of the financial report of any other entity in the consolidated Group	94,000	54,882
- tax compliance and advice	-	-
	<u>269,000</u>	<u>241,882</u>

### 26. Parent entity information

	30 June 2018 \$'000	30 June 2017 \$'000
<b>Information relating to Bisalloy Steel Group Limited:</b>		
Current assets	-	352
Total assets	<b>3,428</b>	<b>2,560</b>
Current liabilities	486	-
Total liabilities	<b>486</b>	-
Issued capital	11,720	11,575
Accumulated losses	(8,814)	(9,051)
Reserves	36	36
Total shareholder's equity	<b>2,942</b>	<b>2,560</b>
Profit of the parent entity	1,341	63
Total comprehensive income of the parent entity	<u>1,341</u>	<u>63</u>
Guarantees have been entered into by the Parent entity on behalf of Bisalloy Steels Pty Limited and Bisalloy (Thailand) Co Limited. There are no contingent liabilities or contractual commitments as at the reporting date.		



## 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 consolidated entity's financial position as at 30 June 2018 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 23 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 2018.

On behalf of the Board



**Greg Albert**  
**Managing Director**  
**Sydney**  
29 August 2018

## Independent Auditor's Report to the Members 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) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2018 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. 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 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* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## 1. Revenue Recognition

### Why significant

Revenue from the sale of goods is recognised upon the transfer of significant risks and rewards of ownership of the goods to the customer.

The Group uses a variety of shipment terms across different markets and this has an impact on the timing of revenue recognition. There is a higher risk that revenue could be recognised in the incorrect period for sales transactions occurring on and around the year end.

The Group's accounting policy for revenue recognition is disclosed in Note 2(r) of the financial statements.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Evaluated whether the Group's revenue recognition accounting policies were in accordance with Australian Accounting Standards.
- ▶ Assessed the effectiveness of controls over the processing of revenue transactions.
- ▶ Selected a sample of revenue transactions, with an additional focus on revenue recognised around the year end period and assessed whether revenue was recognised when the significant risks and rewards of ownership were passed to customers.

## 2. Equity Accounted Joint Venture

### Why significant

The Group has a 33% ownership interest in Bisalloy Shangang (Shandong) Steel Plate Co., Limited, a Cooperative Joint Venture with Jigang Iron & Steel Co., Limited. Under the terms of the agreement, the Group is entitled to a 50% share in the operating results of the Joint Venture.

The Groups interest is classified as a joint venture and accounted for using the equity method in accordance with Australian Accounting Standards.

### How our audit addressed the key audit matter

Our audit procedures included the following:

- ▶ Considered the terms of the Joint Venture agreement and applicable Chinese law in the application of the equity method of accounting
- ▶ Assessed whether the equity method of accounting was appropriately applied to the Group's share of the Joint Venture's profit.
- ▶ Considered whether the accounting policies of the joint venture were consistent with those of the Group.

The accounting for the results of and the investment in the Joint Venture was considered a key audit matter due to the share of the net income derived from the Joint Venture, contributing 36% of Profit after tax, and the book value of the investment representing 4% of total assets.

Disclosures relating to the Group's joint venture are shown in Note 6 to the financial statements.

## **Information Other than the Financial Report and Auditor's Report Thereon**

The directors are responsible for the other information. The other information comprises the information included in the Company's 2018 Annual Report other than the financial report and our auditor's report thereon. We obtained the Directors' Report and the Corporate Governance Statement that are to be included in the Annual Report, prior to the date of this auditor's report, and we expect to obtain the remaining sections of the Annual Report after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express 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 and, in doing so, 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.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors 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 objectives are 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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and 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 this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Audit of the Remuneration Report

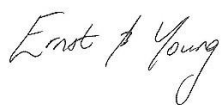
### Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 15 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Bisalloy Steel Group Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

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



Ernst & Young



Glenn Maris  
Partner  
Sydney  
29 August 2018

## ASX Additional Information

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 31 July 2018

	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	525	321,808
1,001 – 5,000	575	1,366,560
5,001 – 10,000	147	1,108,657
10,001 – 100,000	261	8,310,583
100,001 and over	42	33,279,689
<b>Total</b>	<b>1,550</b>	<b>44,387,297</b>
The number of shareholders holding less than a marketable parcel of shares based on a share price of \$0.870 at the date of this report are	556	71,866
There are 1,651,450 performance rights issued. Performance rights do not carry a right to vote.		

	Listed Ordinary Shares	
	Number of Shares	% of Ordinary Shares
<b>b. Twenty largest shareholders</b>		
The names of the twenty largest holders of quoted shares are:		
1. ANCHORAGE (BSG) PTY LTD	7,016,575	15.81
2. J P MORGAN NOMINEES AUSTRALIA LIMITED	6,218,631	14.01
3. BALRON NOMINEES PTY LIMITED	6,154,102	13.86
4. EVELIN INVESTMENTS PTY LTD	1,349,330	3.04
5. SILVERSTREET PTY LTD	1,344,364	3.03
6. BALRON NOMINEES PTY LTD	1,255,403	2.83
7. PROSPECT CUSTODIAN LIMITED	1,116,906	2.52
8. REIS PENSION & SUPER FUND	800,000	1.80
9. CLYDE BANK HOLDINGS (AUST) PTY LTD	605,635	1.36
10. INTERB INVESTMENTS PTY LTD	576,143	1.30
11. MR NIGEL BURGESS & MRS YUKARI BURGESS	430,000	0.97
12. KILCONQUHAR SUPERANNUATION FUND PTY LTD	403,040	0.91
13. BOND STREET CUSTODIANS LTD	400,000	0.90
14. ICART HOLDINGS PTY LTD	396,470	0.89
15. BALKIN PTY LTD (BALKIN SUPER FUND)	371,590	0.84
16. MR ROBERT JAMES KENRICK & MRS WAI NING KENRICK	330,531	0.74
17. SENRAB (VIC) PTY LTD	285,000	0.64
18. SMALLER HOLDINGS PTY LIMITED	277,154	0.62
19. BOTSIS HOLDINGS PTY LTD	250,000	0.56
20. G CHAN PENSION PTY LTD	250,000	0.56

## ASX Additional Information

		Fully Paid	
		Number of shares	%
<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:  Mr Peter Smaller, Mirond Holdings Pty Ltd, Smaller Holdings Pty Ltd, Balron Nominees Pty Ltd, Balron Nominees Pty Limited Anchorage (BSG) Pty Ltd J P Morgan Nominees Australia Limited			
		7,788,185	17.55
		7,016,575	15.81
		6,281,182	14.15
		21,085,942	47.50
<b>d. Voting Rights:</b> All ordinary shares carry one vote per share without restriction.			



### Registered Office

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

### Annual General Meeting

The Group will hold its 2018 Annual General Meeting in the Press Room at the Radisson Blu Plaza Hotel located at 27 O'Connell Street, Sydney NSW at 11:00am on Thursday, 29 November 2018. 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.

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### Bankers

Westpac Banking Corporation

### Share Registry

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