

ASX Announcement

Bisalloy Steels Pty Ltd
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24 February 2023

Market Announcements Office ASX

Results Announcement for the Half-year ended 31 December 2022 - ASX: BIS

In accordance with ASX Listing Rule 4.2A, Bisalloy Steel Group Limited (ASX Code: BIS) provides the following documents for the half year ended 31 December 2022:

- Appendix 4D
- Directors' Report; and
- Financial Report

These documents should be read in conjunction with the Bisalloy Steel Group Limited 2022 Annual Report (accessible in the "Investor Centre" section of Bisalloy's website ([www. Bisalloy.com.au](http://www.Bisalloy.com.au)) under the tab "Financial Reports").

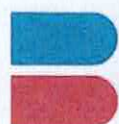
Authorised for release by the Board of Bisalloy Steel Group Limited.



Carl Bowdler
Company Secretary

For further information contact

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Bisalloy Steel

GROUP LIMITED

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Six months ended 31 December 2022 ("HY23")
Results for announcement to the market

Key Information		Absolute Change		HY23 \$'000	HY22 \$'000
Total revenue from ordinary activities	Up	42.1%	to	78,415	55,197
Profit from ordinary activities after tax attributable to members	Down	9.70%	to	6,906	7,648
Net profit for the period attributable to members	Down	9.70%	to	6,906	7,648
Profit before income tax from continuing operations ⁽¹⁾	Down	5.40%	to	10,238	10,821
Operating EBITDA (excl Fx) ⁽¹⁾	Down	1.10%	to	12,413	12,557

Details relating to dividends	Amount per share	Franking ⁽²⁾	Total Amount \$'000
Final dividend paid on 28 October 2022	9.0c	100%	4,238
Interim Dividend declared on 22 February 2023 ⁽³⁾			
Record date for determining entitlements to dividends		24/03/2023	
DRP		Suspended on 22 February 2023	
Other	HY23	HY22	
Net tangible asset per share	133.2 cps	106.9 cps	
Basic earnings per share	14.6 cps	16.6 cps	

(1) For the Consolidated Group

(2) All dividends are fully franked at a 30% tax rate.

(3) The interim dividend is payable on 28 April 2023 and is not recognised as a liability as at 31 December 2022.

Commentary on Results - Please refer to the commentary in the attached half yearly Directors' and Financial Reports for an explanation of the results. This half yearly report should be read in conjunction with the most recent Annual Financial report.

There were no entities over which control has been gained or lost during the period. Details of Joint Venture entities was disclosed on page 52 of the most recent Annual Financial Statements.

The company operates a Dividend Reinvestment Plan (DRP). Operation of this plan was suspended on 22 February 2023.

This report is based on accounts which have been audited. The audit report, which was unqualified, is included within the Financial Report which accompanies this Appendix 4D. Additional Appendix 4D disclosure requirements can be found in the Financial Report.

Signed in accordance with a resolution of the directors.



Rowan Melrose
CEO and Managing Director
24 February 2023

BISALLOY STEEL GROUP LIMITED

A.B.N 22 098 674 545

CONDENSED CONSOLIDATED FINANCIAL REPORT

SIX MONTHS ENDED 31 December 2022

Directors' Report

The directors of Bisalloy Steel Group Limited present their report together with the condensed consolidated financial statements for the six months ended 31 December 2022 and the review report thereon.

Directors

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

Name	Office	Appointment
Mr David Balkin AM	Non-Executive Chairman	from 27/11/2020
Mr Ian Greenyer	Non-Executive Director	from 27/11/2020
Mr Michael Gundy	Non-Executive Director	from 27/11/2020
Mr Bernard Landy	Non-Executive Director	from 01/03/2022
Mr Rowan Melrose	Chief Executive Officer and Managing Director	from 01/03/2022

Review of Operations

The operating results are summarised as follows:

In thousands of dollars	For the six months ended	
	31 Dec 2022	31 Dec 2021
Revenue	78,415	55,197
Consolidated Profit after income tax	7,369	7,771
Profit after tax attributable to members	6,906	7,648

Summary

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

Bisalloy has delivered a pleasing performance in H1 FY23, reflecting the foundations we have put in place to create a stronger and more resilient business. However, as forecasted in our FY23 Outlook, we have started to see the normalisation of product margins as prices trend downwards and we see further impacts from the challenging ocean freight market. The results also reflect the one-off costs associated with the voluntary redundancy programme announced in the Managing Director's AGM address.

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

Bisalloy's unique stand-alone heat treatment facility at Unanderra, near Wollongong, is a highly automated and efficient operation providing a relatively low-cost base, allowing it to compete with a variety of imported products. During the six months ended 31 December 2022 Bisalloy utilised greenfeed steel supply mainly from neighbouring BlueScope Steel in Wollongong, complimented with selected supply from international greenfeed suppliers, including Nippon Steel and the CJV.

Directors' Report

continued

The Bisalloy Group is now 12 months Lost Time Injury Free and 12 months medical Injury Free. Our All Injury Frequency rate has halved in the last 12 months and continues in a downward trend. Thailand, Indonesia and China experienced zero harm during the period.

Business Performance

Domestic Australian Sales and Margins

Australian demand for quench and tempered steel plate remains strong. Despite steel prices declining from historically high levels resulting in distributors managing their inventory levels more tightly, we have managed to increase our sales volumes in H1 FY23 versus H1 FY22 as a result of significantly improved marketing and selling strategies. The gains we have made from our improved market position have been offset by higher greenfeed costs and the significant increase in freight costs, particularly sea freight to Western Australia which has more than doubled in H1 FY23 compared to H1 FY22.

A one-off redundancy cost of \$0.89m following the announced operations workforce reduction has been the other major drag on profitability in this half compared to H1 FY22.

Co-Operative Joint Venture (CJV) in China

Despite the challenges of Covid restrictions and its impact of plate sales and volumes, we continue to see ongoing solid performance from the CJV.

Overseas Distribution

The Group's overseas distribution operations in Indonesia and Thailand continue to be profitable. Demand in Thailand has reduced in H1 FY23 compared to prior year, however the Indonesian operation has performed very strongly in H1 FY23 with both volume and margin strengthening.

Armour

Our Armour business continues to be of importance both domestically and internationally. We continue to develop and support an alternate supply of specialised greenfeed from targeted partner mills overseas. Volumes are up from H1 FY22 and we see this as an area of continued growth.

Overheads and Costs

As expected Bisalloy's marketing and administrative expenses reverted to historical trend in HY23, with vacancies being filled, travel resuming post covid and incentives normalising.

There has also been a significant focus on overall cost management with the recent restructure and streamlining of the workshop operations and associated redundancies which were taken to mitigate the increased energy costs from H2 FY23 (Bisalloy Australia currently has contracts in place for electricity and gas supply through to December 2023).

There remains an ongoing focus on internal efficiencies and selected funding for R&D and collaboration with various Universities.

Inventories

Higher inventories reflect higher average greenfeed costs compared to H1 FY22 along with higher greenfeed in transit.

Directors' Report

continued

Financial Results

Group Revenues in the period were \$78,415k, up 42.1% from the corresponding period last year. Profit before tax was \$10,238k, down 5.4% from prior corresponding period. Profit after tax decreased to \$7,369k from \$7,771k in the prior corresponding period.

Net operating cash inflow in the six months was \$1,171k compared to the inflow of \$3,285k in the previous corresponding period.

Net debt as at 31 December 2022 totalled \$9.861m (30 June 2022 - \$8,264m).

FY23 Outlook

Throughout the recent macroeconomic and geopolitical volatility, Bisalloy has continued to demonstrate strength and resilience in its business performance. With this volatility ongoing, we are anticipating a continuation of the trend towards normalisation of product margins, along with the impact of higher energy and transportation costs. We also cannot discount the impact of future disruptions caused by COVID-19, potential recessions in global markets and ongoing supply chain disruptions, particularly sea freight. Therefore, Bisalloy continues to project a reduction in profits in FY23 compared to FY22.

Dividend

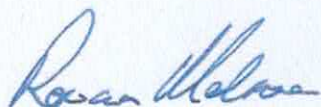
Bisalloy pays dividends in accordance with the basic policy of making stable and continuous payments based on a medium to long-term business outlook. By taking into account the Company's outlook for business results, its financial position, and other such factors, the Company has decided to pay an interim dividend of 4.0 cents per share in the current fiscal year.

Auditor Independence

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

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Rowan Melrose
CEO and Managing Director
23 February 2023

RSM Australia Partners

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Bisalloy Steel Group Limited for the half year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

**RSM Australia
Partners**

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Australia Partners
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RSM AUSTRALIA PARTNERS

LOUIS QUINTAL
Partner

Sydney, NSW
Dated: 24 February 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

In thousands of dollars	Notes	Consolidated For the six months ended	
		31 Dec 2022	31 Dec 2021
Continuing operations			
Revenue from contracts with customers		78,415	55,197
Cost of goods sold		(61,424)	(39,816)
Gross profit		16,991	15,381
Other (expense) / Income		(100)	91
Distribution expenses		(1,190)	(1,177)
Marketing expenses		(1,923)	(1,047)
Occupancy expenses		(429)	(382)
Administrative expenses		(3,795)	(2,775)
Gain on sale of fixed assets		-	1
Operating profit		9,554	10,092
Finance costs	3(b)	(576)	(324)
Finance income	3(b)	34	3
Share of profit of joint venture, net of tax	7	1,226	1,050
Profit before income tax		10,238	10,821
Income tax expense	13	(2,869)	(3,050)
Profit after income tax		7,369	7,771
Attributable to:			
Non-controlling interest		463	123
Equity holders of the parent		6,906	7,648
Profit for the period		7,369	7,771
Other comprehensive income:			
Items that may be subsequently reclassified to net profit			
Fair value gain on cash flow hedges		44	-
Foreign currency translation		(66)	670
Actuarial gains		40	-
Income tax effect of items in other comprehensive income		(21)	-
Other comprehensive (loss) / income for the period, net of tax		(3)	670
Total comprehensive income for the period, net of tax		7,366	8,441
Attributable to:			
Non-controlling interests		366	270
Equity holders of the parent		7,000	8,171
		7,366	8,441
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents)	5	14.6	16.6
- Diluted earnings per share (cents)	5	14.4	16.2

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

Condensed Consolidated Statement of Financial Position

In thousands of dollars	Notes	Consolidated 31 Dec 2022	30 Jun 2022
ASSETS			
Current assets			
Cash and cash equivalents	6	730	1,834
Trade and other receivables		28,023	26,240
Inventories		46,941	39,847
Other current assets		2,196	1,505
Contract assets		73	138
Derivative assets		88	-
Total current assets		78,051	69,564
Non-current assets			
Investment in joint venture	7	8,640	9,299
Other non-current assets		124	125
Property, plant and equipment		26,502	26,738
Intangible assets		746	634
Income tax receivable		50	157
Deferred tax assets		65	69
Total non-current assets		36,127	37,022
Total assets		114,178	106,586
LIABILITIES			
Current liabilities			
Trade and other payables		25,818	20,888
Loans and borrowings	8	10,476	7,526
Income tax payable		440	2,729
Employee benefit liabilities		2,328	1,790
Lease liabilities		401	317
Contract liabilities		208	386
Derivative liabilities		19	95
Total current liabilities		39,690	33,731
Non-current liabilities			
Loans and borrowings	8	115	2,932
Employee benefit liabilities		1,188	1,194
Lease liabilities		462	387
Deferred tax liabilities		4,494	4,056
Total non-current liabilities		6,259	8,569
Total liabilities		45,949	42,300
NET ASSETS		68,229	64,286
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	15,227	14,507
Accumulated profits		36,617	33,907
Other reserves		12,097	11,950
Parent interests		63,941	60,364
Non-controlling interests		4,288	3,922
TOTAL EQUITY		68,229	64,286

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

Condensed Consolidated Statement of Cash Flows

In thousands of dollars	Notes	Consolidated For the six months ended	
		31 Dec 2022	31 Dec 2021
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		81,983	69,660
Payments to suppliers and employees (inclusive of GST)		(75,780)	(63,401)
Interest received		9	3
Borrowing costs		(432)	(324)
Income tax paid		(4,609)	(2,653)
Net cash from operating activities		1,171	3,285
Cash flows from investing activities			
Dividend received from Joint Venture		1,949	620
Proceeds from sale of property, plant and equipment		-	1
Payments for property, plant and equipment		(558)	(439)
Payments for intangible assets		(112)	(58)
Net cash used in investing activities		1,279	124
Cash flows from financing activities			
Drawdown / (repayment) of borrowings		133	(464)
Dividend paid to non-controlling interests		-	-
Dividend paid to equity holders of the parent		(3,518)	(3,092)
Principal lease payments		(195)	(236)
Net cash used in financing activities		(3,580)	(3,792)
Net (decrease) / increase in cash and cash equivalents		(1,131)	(383)
Net foreign exchange differences		27	61
Cash and cash equivalents at the beginning of period		1,834	2,347
Cash and cash equivalents the end of period	6	730	2,025

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

Condensed Consolidated Statement of Changes of Equity

In thousands of dollars	Issued capital	Employee Benefits Reserve	Cash flow hedge reserve	Foreign currency translation reserve	Asset Revaluation Reserve	Equity Settlement Reserve	Other Reserves	Retained earnings	Total	Non-controlling interests	Total Equity
At 30 June 2022	14,507	87	-	814	10,542	550	(43)	33,907	60,364	3,922	64,286
Profit for the period	-	-	-	-	-	-	-	6,906	6,906	463	7,369
Other comprehensive income	-	-	31	21	-	-	42	-	94	(97)	(3)
Depreciation transfer for building revaluation	-	-	-	-	(42)	-	-	42	-	-	-
Total comprehensive income	-	-	31	21	(42)	-	42	6,948	7,000	366	7,366
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to shareholders	-	-	-	-	-	-	-	(4,238)	(4,238)	-	(4,238)
Dividend Reinvestment Plan	720	-	-	-	-	-	-	-	720	-	720
Share based payments	-	95	-	-	-	-	-	-	95	-	95
At 31 December 2022	15,227	182	31	835	10,500	550	(1)	36,617	63,941	4,288	68,229
At 30 June 2021	12,886	295	-	159	6,187	398	(84)	25,116	44,957	3,457	48,414
Profit for the period	-	-	-	-	-	-	-	7,648	7,648	123	7,771
Other comprehensive income	-	-	-	523	-	-	-	-	523	147	670
Depreciation transfer for building revaluation	-	-	-	-	(23)	-	-	23	-	-	-
Total comprehensive income	-	-	-	523	(23)	-	-	7,671	8,171	270	8,441
Transactions with owners in their capacity as owners:											
Ordinary dividends paid to shareholders	-	-	-	-	-	-	-	(4,147)	(4,147)	-	(4,147)
Dividend Reinvestment plan	1,055	-	-	-	-	-	-	-	1,055	-	1,055
Dividends paid to non-controlling interests	-	-	-	-	-	90	-	-	90	-	90
Share based payments	-	(198)	-	-	-	-	-	-	(198)	-	(198)
At 31 December 2021	13,941	97	-	682	6,164	488	(84)	28,640	49,928	3,727	53,655

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

Notes to the Condensed Consolidated Financial Statements

1. Summary of significant accounting policies

a. Basis of preparation

This general purpose condensed consolidated financial report for the six months ended 31 December 2022 has been prepared in accordance with AASB 134 Interim Financial Reporting and the *Corporations Act 2001* (Cth).

The condensed consolidated financial report as at and for the six months ended 31 December 2022 does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the condensed consolidated financial report for the six months ended 31 December 2022 be read in conjunction with the annual report for the year ended 30 June 2022 and considered together with any public announcements made by the Company during the six months ended 31 December 2022 in accordance with the continuous disclosure obligations of the ASX listing rules. Other than as stated in Note 14, the financial report has been prepared using the same accounting policies as used in the most recent financial report.

The condensed consolidated financial report for the six months ended 31 December 2022 is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Corporations (Rounding in Financial / Directors' Report) Instrument 2016/191.

b. Basis of consolidation

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

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

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

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

Notes to the Condensed Consolidated Financial Statements
continued

2. Dividends paid

In thousands of dollars	Consolidated	
	For the six months ended 31 Dec 2022	31 Dec 2021
Cash dividends to the equity holders of the parent:		
Dividends on ordinary shares declared and paid during the six-month period:		
Final dividend for year ended 30 June 2022: 9.0 cents (2021: 9.0 cents)	4,238	4,147

3. Other income and expenses

In thousands of dollars	Consolidated	
	For the six months ended 31 Dec 2022	31 Dec 2021
(a) Other expenses / (income)		
Other income	(18)	(11)
Foreign exchange loss / (gain)	118	(80)
	100	(91)
(b) Finance (income) and costs		
Bank interest and borrowing costs	576	324
Total finance costs	576	324
Bank interest	(34)	(3)
Total finance income	(34)	(3)
(c) Depreciation and cost of inventories included in the statement of profit or loss and other comprehensive income		
Depreciation and amortisation ¹	1,075	1,147
Cost of inventories	55,280	37,322
Provision for inventory	(33)	119
Cost of inventories recognised as an expense	55,247	37,441
(d) Employee benefits expense ¹		
Wages and salaries	7,789	6,686
Superannuation costs	531	382
Share based payments	286	(282)
	8,606	6,786

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

Notes to the Condensed Consolidated Financial Statements

continued

4. Issued capital

In thousands of dollars	Consolidated	
	31 Dec 2022	30 June 2022
Ordinary shares Issued and fully paid	15,227	14,507

In thousands	No. of shares	\$
Movement in ordinary shares on issue		
At 1 July 2022	47,089	14,507
Dividend Reinvestment Plan (i)	362	720
Exercise of performance rights	-	-
At 31 Dec 2022	47,451	15,227

(i) The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2022 on 28 October 2022. The Dividend Reinvestment Plan (DRP) applied to the final dividend with a discount of 5% to the weighted average market price of shares in the Company traded on the ASX on the record date of 7 October 2022 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$1.993 per share.

5. Earnings per share

In thousands of dollars	Consolidated	
	For the six months ended 31 Dec 2022	31 Dec 2021
Calculation of the following in accordance with AASB 133:		
Profit for the period	7,369	7,771
Profit attributable to non-controlling interests	463	123
Profit attributable to equity holders of the parent	6,906	7,648
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	47,239	46,202
Potential dilution:		
Performance rights	614	984
Adjusted weighted average number of ordinary shares for diluted earnings per share	47,853	47,186

6. Cash and cash equivalents

In thousands of dollars	31 Dec 2022	30 June 2022
Cash at bank and in hand	730	2,025

Non-cash financing activities

Dividend reinvestment plan

The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2022 was 361,379 (31 December 2021: 604,473).

Notes to the Condensed Consolidated Financial Statements

continued

7. Investment in joint venture

The Group has a 50% equity interest held in Bisalloy Shangang (Shandong) Steel Plate Co. Ltd, which has not changed in the reporting period.

The Group's share of the result of the joint venture on an equity accounted basis for the period is \$1,266k (2021: \$1,050k).

Dividends of \$1,950k (2021: \$620k) were received from the JV during the six months.

8. Loans and borrowings

On 17 December 2021 Bisalloy Steel Group Limited entered into a facility with Westpac Banking Corporation. The facility comprises a bank bill facility of \$6.2m for 3 years from January 2022, with \$0.1m drawn, and reducing by \$116,500 per quarter over the term (with \$5.6m remaining available for immediate redraw), an invoice finance facility of up to \$12m (drawn to \$8.6m) and a trade finance facility of up to \$9m (drawn to \$0m). Bisalloy also have \$0.1m of premium finance outstanding with Westpac Banking Corporation.

The Group has a IDR 44.5b revolver facility as well as a USD\$0.5m Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to \$1.8m and secured by a charge over the assets of the Indonesian subsidiary and mature in June 2023.

The Group has a THB 3m bank overdraft facility available and unused to its Thailand based subsidiary as at 31 December 2022. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.

9. Assets / liabilities measured at fair value

Fair values

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

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

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

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

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

31 December 2022	Total	Level 1	Level 2	Level 3
Assets measured at fair value	\$'000	\$'000	\$'000	\$'000
Land and buildings	20,147	-	20,147	-
Foreign exchange contracts	69	-	69	-
	20,216	-	20,216	-

30 June 2022				
Assets / (Liabilities) measured at fair value				
Land and buildings	20,147	-	20,147	-
Foreign exchange contracts	(95)	-	(95)	-
	20,052	-	20,052	-

At 30 June 2022 the fair value of land, buildings and improvements for its Australian and Indonesian land and buildings was determined by reference to independent valuations performed in June 2022. For 31 December 2022, it was determined by Directors valuation that there was no significant change in fair value.

The fair value of loans and borrowings approximates the carrying value.

Transfer between categories

There were no transfers between levels during the year.

10. Commitments and contingencies

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

11. Events after the balance date

There have been no significant events after the balance date.

Notes to the Condensed Consolidated Financial Statements

continued

12. Segment information

Identification of reportable segments

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

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

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

Geographical areas

Australian operations

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

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

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

Overseas operations

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

Inter-segment transactions

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

Major customers

The Group has a number of customers to which it provides products. There are three major customers who account for 27% (2021: 32%), 13% (2021: 3%), 9% (2021: 14%) of total external revenue.

12. Segment information (continued)

Information about reportable segments

For the six months ended 31 December 2022	Australia \$'000	Overseas \$'000	Total \$'000
Sales to external customers	64,974	13,441	78,415
Inter-segment sales	215	-	215
Total segment revenue	65,189	13,441	78,630
Inter-segment elimination			(215)
Total consolidated revenue			78,415
Segment profit after income tax	7,085	2,017	9,102

For the six months ended 31 December 2021

Sales to external customers	45,924	9,273	55,197
Inter-segment sales	1,031	-	1,031
Total segment revenue	46,955	9,273	56,228
Inter-segment elimination	-	-	(1,031)
Total consolidated revenue	-	-	55,197
Segment profit after income tax	6,394	1,357	7,751

	For the six months ended	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
a) Segment profit after income tax reconciliation to the statement of profit or loss and other comprehensive income		
Segment profit after income tax	9,102	7,751
Intercompany eliminations (net of tax)	(1,733)	20
Income tax expense	2,869	3,050
Profit before tax per the statement of profit or loss and other comprehensive income	10,238	10,821

The following table presents the disaggregation of the Group's revenue from contracts with customers for the six months ended 31 December 2022:

	Australia \$'000	Overseas \$'000	Total \$'000
For the six months ended 31 December 2022			
Performance obligation			
Sale of steel plates	58,770	13,215	71,985
Shipping and handling	6,204	226	6,430
Total revenue from contracts with customers	64,974	13,441	78,415
Timing of revenue recognition			
Goods transferred at a point in time	58,770	13,215	71,985
Services transferred over time	6,204	226	6,430
Total revenue from contracts with customers	64,974	13,441	78,415

Notes to the Condensed Consolidated Financial Statements

continued

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

13. Income Tax

The income tax expense of \$2,869k for the six months ended 31 December 2022 differs from what it would have been under the Group's statutory income tax rate of 30% (\$3,071k) primarily due to share of profit of equity accounted investees reported net of tax and the controlled foreign company (CFC) attributed income.

14. Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2022, except for the adoption of new standards effective as of 1 July 2022. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Directors' Declaration

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

In the opinion of the directors:

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

(i) Giving a true and fair view of the financial position as at 31 December 2022 and of its performance for the six months ended on that date of the consolidated entity; and

(ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*;

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

Signed in accordance with a resolution of directors, pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Rowan Melrose
CEO and Managing Director
24 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT**To the Members of Bisalloy Steel Group Limited**Level 13, 60 Castlereagh Street Sydney NSW 2000
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Report on the Half-Year Financial Report*Conclusion*

We have reviewed the accompanying half-year financial report of Bisalloy Steel Group Limited which comprises the statement of financial position as at 31 December 2022, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bisalloy Steel Group is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (including Independence Standards) (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Bisalloy Steel Group, would be in the same terms if given to the directors as at the time of this auditor's report.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

RSM Australia
Partners

Digitally signed by RSM
Australia Partners
Date: 2023.02.23
16:31:24 +11'00'

RSM AUSTRALIA PARTNERS

LOUIS QUINTAL

Sydney, NSW

Dated: 24 February 2023

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Westpac Banking Corporation

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