



BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2017 (“HY18”)
Results for announcement to the market

| | | Absolute Change | | HY18 \$'000 | HY17 \$'000 |
|---|-----------|--------------------|-----------|----------------|----------------|
| Profit/(Loss) attributable to members | Up | 4,050.0% | to | 1,343 | (34) |
| Revenue | Up | 45.1% | to | 39,941 | 27,525 |
| Profit before income tax from continuing operations | Up | 528.4% | to | 2,363 | 376 |
| Profit after income tax | Up | 1,193.8% | to | 1,462 | 113 |

| Dividends | Amount per share | Franked amount per share |
|--|-------------------------|---------------------------------|
| <u>Half year ended 31 December 2017</u> | | |
| Interim dividend | Nil | Nil |
| <u>Half year ended 31 December 2016</u> | | |
| Interim dividend | Nil | Nil |
| Record date for determining entitlements to the dividend | N/A | |

| | HY18 | HY17 |
|--------------------------------------|-------------|-------------|
| Other | | |
| Net tangible asset backing per share | 56.0cps | 48.6cps |

Explanation of Results

Please refer to the commentary in the attached half yearly report for an explanation of the results. This half yearly report should be read in conjunction with the most recent financial report.

BISALLOY STEEL GROUP LIMITED

A.B.N 22 098 674 545

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF YEAR ENDED 31 December 2017

| CONTENTS | Page |
|---|-------------|
| Directors' Report | 3 |
| Auditor's Independence Declaration | 5 |
| Consolidated Statement of Profit or Loss and Other Comprehensive Income | 6 |
| Consolidated Statement of Financial Position | 7 |
| Consolidated Statement of Cash Flows | 8 |
| Consolidated Statement of Changes in Equity | 9 |
| Notes to the consolidated financial statements | 10 |
| Directors' Declaration | 17 |
| Independent Auditor's Review Report | 18 |

Directors' Report

Your directors submit their report for the half year ended 31 December 2017.

Directors

The names of 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 |
|------------------------|---|
| Mr Phillip Cave AM | Non-Executive Chairman |
| Mr Kym Godson | Non-Executive Director |
| Mr Richard Grellman AM | Non-Executive Director |
| Mr Dario Pong | Non-Executive Director |
| Mr Greg Albert | Chief Executive Officer and Managing Director |

Review of Operations

Operating results are summarised as follows:

| | <u>December 2017</u> | <u>December 2016</u> |
|-------------------------|----------------------|----------------------|
| | <u>\$'000</u> | <u>\$'000</u> |
| Revenue | 39,941 | 27,525 |
| Profit after income tax | 1,462 | 113 |

Summary

Bisalloy Steel Group Limited ("Group") comprises Bisalloy Steels Pty Limited in Australia, the majority owned distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy Thailand) as well as the investment in the Chinese joint venture (Bisalloy Jigang (Shandong) Steel Plate Co., Limited).

Bisalloy Steels is Australia's only processor of Quenched and Tempered ("Q&T") high-tensile, abrasion resistant and armour grade alloyed steel plates. Bisalloy Steels' processing operation is located in Unanderra near Wollongong, NSW. Bisalloy Steels distributes wear-grade and high tensile plate through distributors and directly to original equipment manufacturers in both Australia and overseas.

The Group's ongoing commitment to the safety of its staff, contractors and visitors continues to underpin an excellent safety record into FY18. As of this report, the Group has gone 1,714 days without a Lost Time Injury.

Bisalloy continued to benefit from the increase in domestic market share recorded in the second half of FY17 resulting in a stronger financial performance by comparison to the same period last year. Australian sales tonnage levels in the first half are at the highest level since 2013.

A number of new opportunities in both general Q&T and armour are being explored which should continue the strong improved performance seen to date.



The Group's distribution subsidiary in Indonesia produced a good result compared to 2017 while Thailand experienced a lower outcome due to postponed armour projects.

The Group's Cooperative Joint Venture (CJV) for the production and sale of quench & tempered steel plate into China and other North Asian has had a successful 6 months and the demand continues to improve.

Results

Revenues of the Group in the period were \$39,941k, up 45.1% from the corresponding period last year. Operating Profit before the CJV contribution increased 330.5% to \$2,273k from \$528k and the share of profit from the CJV increased 103.5% compared to the prior corresponding period. Profit after tax increased to \$1,462k from \$113k in the prior corresponding period.

Net operating cash outflow in the six months was \$5,346k compared to an inflow of \$800k in the previous corresponding period as a result of an increase in purchasing and inventory levels to meet the improved demand.

Net debt at 31 December 2017 totals \$11.4m (30 June 2017 - \$4.7m). Inventory levels have increased \$9.1m in the six months to December 2017 to accommodate the higher sales activity.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2017.

Auditor Independence

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5 and forms part of this report.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read 'Greg Albert', is written in a cursive style.

Greg Albert
Managing Director
22 February 2018



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

As lead auditor for the review of Bisalloy Steel Group Limited for the half-year ended 31 December 2017, 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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

Ernst & Young

Glenn Maris
Partner
Sydney
22 February 2018



Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half year ended 31 December 2017

| | Notes | Consolidated | |
|--|-------|------------------------------------|------------------------------------|
| | | Half Year 31 Dec 2017 \$'000 | Half Year 31 Dec 2016 \$'000 |
| Continuing operations | | | |
| Revenue | | | |
| Sales of goods | | 39,941 | 27,525 |
| Cost of sales | | (31,158) | (21,666) |
| Gross profit | | 8,783 | 5,859 |
| Other expenses | | (255) | 58 |
| Distribution expenses | | (938) | (804) |
| Marketing expenses | | (1,743) | (1,644) |
| Occupancy expenses | | (339) | (303) |
| Administrative expenses | | (3,203) | (2,638) |
| Operating profit | | 2,305 | 528 |
| Finance costs | 3(b) | (408) | (385) |
| Finance income | 3(a) | 2 | 5 |
| Share of profit of interest in joint venture | 7 | 464 | 228 |
| Profit before income tax from continuing operations | | 2,363 | 376 |
| Income tax expense | 13 | (901) | (263) |
| Profit after income tax | | 1,462 | 113 |
| Other Comprehensive Income: | | | |
| Items that may be subsequently reclassified to net profit | | | |
| Fair value gain/(loss) on cash flow hedges | | 4 | (24) |
| Foreign currency translation | | 58 | (160) |
| Income tax on items in other comprehensive income | | - | - |
| Items that will not be reclassified to net profit | | - | - |
| Other Comprehensive Income for the period | | 62 | (184) |
| Total Comprehensive Income for the period | | 1,524 | (71) |
| Profit after income tax is attributable to: | | | |
| Non-controlling interests | | 119 | 147 |
| Equity holders of the parent | | 1,343 | (34) |
| | | 1,462 | 113 |
| Total comprehensive income for the period is attributable to: | | | |
| Non-controlling interests | | 144 | (69) |
| Equity holders of the parent | | 1,380 | (2) |
| | | 1,524 | (71) |
| Earnings per share for profit attributable to ordinary equity holders of the parent | | | |
| - Basic earnings/(loss) per share (cents per share) | 5 | 3.0 | (0.1) |
| - Diluted earnings/(loss) per share (cents per share) | 5 | 2.9 | (0.1) |



Consolidated Statement of Financial Position
31 December 2017

| | Notes | Consolidated | |
|--|-------|---------------|---------------|
| | | 31 Dec | 30 June |
| | | 2017 | 2017 |
| | | \$'000 | \$'000 |
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 6 | 997 | 3,984 |
| Trade and other receivables | | 13,114 | 14,909 |
| Income tax receivable | | - | 31 |
| Inventories | | 23,837 | 14,782 |
| Other current assets | | 942 | 844 |
| Derivative financial instruments | | 2 | - |
| Total current assets | | 38,892 | 34,550 |
| Non current assets | | | |
| Property, plant and equipment | | 17,996 | 17,788 |
| Other financial assets | | 69 | 49 |
| Investment in joint venture | 7 | 1,780 | 2,109 |
| Total non current assets | | 19,845 | 19,946 |
| Total assets | | 58,737 | 54,496 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | | 13,882 | 14,197 |
| Income tax payable | | 168 | - |
| Provisions | | 1,613 | 1,507 |
| Derivative financial instruments | | - | 33 |
| Interest bearing loans and borrowings | 8 | 6,117 | 1,689 |
| Total current liabilities | | 21,780 | 17,426 |
| Non current liabilities | | | |
| Interest bearing loans and borrowings | 8 | 6,301 | 7,000 |
| Provisions | | 1,405 | 1,270 |
| Deferred tax liabilities | | 1,340 | 1,383 |
| Total non current liabilities | | 9,046 | 9,653 |
| Total liabilities | | 30,826 | 27,079 |
| NET ASSETS | | 27,911 | 27,417 |
| EQUITY | | | |
| Equity attributable to equity holders of the parent | | | |
| Contributed equity | 4 | 11,720 | 11,575 |
| Accumulated profits | | 9,471 | 9,214 |
| Other reserves | | 3,551 | 3,415 |
| Parent interests | | 24,742 | 24,204 |
| Non-controlling interests | | 3,169 | 3,213 |
| TOTAL EQUITY | | 27,911 | 27,417 |



Consolidated Statement of Cash Flows
Half Year ended 31 December 2017

| | Consolidated | | |
|---|---------------------|---|---|
| | Notes | Half Year 31 Dec 2017 \$'000 | Half Year 31 Dec 2016 \$'000 |
| Cash flows from operating activities | | | |
| Receipts from customers (inclusive of GST) | | 44,437 | 26,067 |
| Payments to suppliers and employees (inclusive of GST) | | (48,632) | (24,107) |
| Interest received | | 2 | 6 |
| Finance costs | | (408) | (385) |
| Income tax paid | | (745) | (781) |
| Net cash flow from operating activities | | (5,346) | 800 |
| Cash flows from investing activities | | | |
| Payments for property, plant and equipment | | (1,041) | (628) |
| Proceeds from sale of fixed assets | | - | - |
| Payments for investments | | - | - |
| Dividends received from investments | | 793 | - |
| Net cash outflows used in investing activities | | (248) | (628) |
| Cash flows from financing activities | | | |
| Increase in borrowings | | 3,729 | 1,309 |
| Dividend paid to non-controlling interests | | (188) | (88) |
| Dividend paid to equity holders of the parent | | (960) | (1,059) |
| Net cash inflow from financing activities | | 2,581 | 162 |
| Net increase / (decrease) in cash and cash equivalents | | (3,013) | 334 |
| Net foreign exchange differences | | 26 | 8 |
| Cash and cash equivalents at the beginning of period | | 3,984 | 896 |
| Cash and cash equivalents the end of period | 6(a) | 997 | 1,238 |

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2017

| | Attributable to equity holders of the Company | | | | | | | | | |
|--|---|------------|-------------|--------------|--------------|------------|--------------|---------------|--------------|---------------|
| | Issued | Employee | Net gain/ | Foreign | Asset | Equity | Retained | | Non- | Total |
| | capital | Benefits | (loss) | currency | Revaluation | Settlement | earnings | Total | controlling | Equity |
| | \$'000 | Reserve | on cash | translation | Reserve | Reserve | \$'000 | \$'000 | interests | \$'000 |
| | \$'000 | Hedges | reserve | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| At 30 June 2017 | 11,575 | 160 | (4) | (720) | 3,973 | 6 | 9,214 | 24,204 | 3,213 | 27,417 |
| Profit for the period | - | - | - | - | - | - | 1,343 | 1,343 | 119 | 1,462 |
| Other comprehensive income | - | - | 4 | 33 | - | - | - | 37 | 25 | 62 |
| Depreciation transfer for revaluation of building | - | - | - | - | (19) | - | 19 | - | - | - |
| Total comprehensive income | - | - | 4 | 33 | (19) | - | 1,362 | 1,380 | 144 | 1,524 |
| Transactions with owners in their capacity as owners: | | | | | | | | | | |
| Ordinary dividends paid to equity holders | - | - | - | - | - | - | (1,105) | (1,105) | - | (1,105) |
| Dividend reinvestment plan | 145 | - | - | - | - | - | - | 145 | - | 145 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (188) | (188) |
| Share based payments | - | 118 | - | - | - | - | - | 118 | - | 118 |
| At 31 December 2017 | 11,720 | 278 | 0 | (687) | 3,954 | 6 | 9,471 | 24,742 | 3,169 | 27,911 |
| At 30 June 2016 | 11,531 | 39 | 9 | (507) | 2,655 | 6 | 8,778 | 22,511 | 3,102 | 25,613 |
| Profit/Loss for the period | - | - | - | - | - | - | (34) | (34) | 147 | 113 |
| Other comprehensive income | - | - | (24) | 56 | - | - | - | 32 | (216) | (184) |
| Depreciation transfer for revaluation of building | - | - | - | - | (14) | - | 14 | - | - | - |
| Total comprehensive income | - | - | (24) | 56 | (14) | - | (20) | (2) | (69) | (71) |
| Transactions with owners in their capacity as owners: | | | | | | | | | | |
| Ordinary dividends paid to equity holders | - | - | - | - | - | - | (1,102) | (1,102) | - | (1,102) |
| Dividend reinvestment plan | 44 | - | - | - | - | - | - | 44 | - | 44 |
| Dividends paid to non-controlling interests | - | - | - | - | - | - | - | - | (88) | (88) |
| Share based payments | - | 85 | - | - | - | - | - | 85 | - | 85 |
| Modification of performance rights | - | - | - | - | - | - | - | - | - | - |
| At 31 December 2016 | 11,575 | 124 | (15) | (451) | 2,641 | 6 | 7,656 | 21,536 | 2,945 | 24,481 |

Notes to the consolidated financial statements**1. Summary of significant accounting policies****a. Basis of preparation**

This general purpose condensed consolidated financial report for the half year ended 31 December 2017 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for land and buildings, derivative financial instruments and share based liability, which are measured at fair value.

The condensed consolidated half year financial report 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 half year financial report be read in conjunction with the annual report for the year ended 30 June 2017 and considered together with any public announcements made by the Company during the half year ended 31 December 2017 in accordance with the continuous disclosure obligations of the ASX listing rules. The financial report has been prepared using the same accounting policies as used in the most recent annual financial report.

The condensed consolidated half year financial report 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, 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.

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.

| | | Consolidated | |
|------------|---|---|---|
| | | Half Year 31 Dec 2017 \$'000 | Half Year 31 Dec 2016 \$'000 |
| 2. | Dividends paid and proposed | | |
| | Cash dividends to the equity holders of the parent: | | |
| | Dividends on ordinary shares declared and paid during the six month period: | | |
| | Final dividend for 2017: 2.5 cents (2016: 2.5 cents) | 1,105 | 1,102 |
| 3. | Revenues and expenses | | |
| (a) | Finance income | | |
| | Interest | 2 | 5 |
| | | 2 | 5 |
| (b) | Finance costs | | |
| | Bank loans and overdrafts | 408 | 385 |
| | Total finance costs | 408 | 385 |
| (c) | Depreciation and amortisation included in the Statement of profit or loss and other comprehensive income | 772 | 733 |
| (d) | Foreign exchange differences included in net profit | | |
| | Fair value gain/(loss) on derivatives | 4 | (24) |
| | Foreign exchange gain/(loss) | (257) | 58 |
| | The fair value gain or loss on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at period end. | | |
| (e) | Lease payment and other expenses included in the Statement of comprehensive income | | |
| | Rental – operating leases | 99 | 115 |
| (f) | Employee benefits expense | | |
| | Wages and salaries | 6,425 | 5,166 |
| | Superannuation costs | 481 | 445 |
| | Share based payments | 118 | 85 |
| | | 7,024 | 5,696 |

| | | Consolidated | |
|------------------------------|---|---|---|
| | | 31 Dec 2017 \$'000 | 30 June 2017 \$'000 |
| 4. Issued capital | | | |
| | <i>Ordinary shares</i> | | |
| | <i>Issued and fully paid</i> | 11,720 | 11,575 |
| | | | |
| | | No. of shares '000 | \$'000 |
| | <i>Movement in ordinary shares on issue</i> | | |
| | At 1 July 2017 | 44,187 | 11,575 |
| | Dividend Reinvestment Plan (i) | 200 | 145 |
| | At 31 Dec 2017 | 44,387 | 11,720 |
| | | | |
| (i) | The Group paid an ordinary fully franked dividend to equity holders for the year ended 30 June 2017 on 30 November 2017. 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 8 November 2017 and the nine business days immediately after that date. The issue price of ordinary shares under the DRP was \$0.7269cps. | | |
| | | | |
| | | Half Year 31 Dec 2017 \$'000 | Half Year 31 Dec 2016 \$'000 |
| 5. Earnings per share | | | |
| | Calculation of the following in accordance with AASB 133: | | |
| | Profit for the period | 1,462 | 113 |
| | Profit attributable to non-controlling interests | 119 | (147) |
| | Profit/(Loss) attributable to equity holders of the parent | 1,343 | (34) |
| | | | |
| | | Thousands | Thousands |
| | Weighted average number of ordinary shares for basic earnings per share | 44,237 | 44,109 |
| | Potential dilution: | | |
| | Performance rights | 1,800 | 1,700 |
| | Adjusted weighted average number of ordinary shares for diluted earnings per share | 46,037 | 45,809 |

| | | Consolidated | |
|---|--------------------------|-----------------------------------|------------------------------------|
| | | 31 Dec 2017 \$'000 | 30 June 2017 \$'000 |
| 6. Cash and cash equivalents | | | |
| | Cash at bank and in hand | 997 | 3,984 |
| a. Reconciliation of cash | | | |
| For the purposes of the statements of cash flows, cash and cash equivalents comprise the following: | | | |
| | Cash at bank and in hand | 997 | 3,984 |
| | | 997 | 3,984 |
| b. Non-cash financing activities | | | |
| <i>Dividend reinvestment plan</i> | | | |
| The number of shares issued under the dividend reinvestment plan during the six months ending 31 December 2017 was 200,017 (31 December 2016: 104,507). | | | |
| 7. Investment in Joint Venture | | | |
| On the 7 July 2011 Bisalloy Steel Group Limited (the Group) signed a Cooperative Joint Venture (JV) agreement with Jinan Iron and Steel Co., Limited. The Group contributed US\$1 million for a 50% share in the operating result of the joint venture. The Group's share of the result of the joint venture on an equity accounted basis for the period is \$464k (2016: \$228k). | | | |
| 8. Interest Bearing Loans and Borrowings | | | |
| Following the Group's assessment of its funding arrangements, on 31 May 2017 Bisalloy Steel Group Limited moved its facility to Westpac Banking Corporation from Harrenvale Corporation (Australia) Pty Ltd (formerly GE Commercial Corporation (Australia) Pty Ltd). The facility comprises a bank bill facility of \$7m for 3 years from April 2017, fully drawn, and reducing by \$116,500 per quarter over the term, an invoice finance facility of up to \$10m (drawn to \$3.39m at 31 December 2017) and a export working capital facility of up to \$2m (drawn to \$0.4m at 31 December 2017). | | | |
| The Group has IDR 1billion and USD\$2,000,000 revolver facilities as well as a USD\$500,000 Letter of Credit facility available to its Indonesian based subsidiary. These facilities are drawn to \$AUD1.86m and secured by a charge over the assets of the Indonesian subsidiary and mature on 30 June 2018. | | | |
| The Group has a THB 3m bank overdraft facility available and unused to its Thailand based subsidiary as at 31 December 2017. This facility is linked to the Minimum Overdraft Rate (MOR), and is secured by a guarantee from Bisalloy Steel Group Limited. | | | |

Consolidated

| 31 Dec 2017 \$'000 | 30 June 2017 \$'000 |
|--------------------------|---------------------------|
|--------------------------|---------------------------|

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 2017
Assets measured at fair value

| | Total \$'000 | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 |
|----------------------------|-----------------|-------------------|-------------------|-------------------|
| Land and Buildings | 10,102 | - | - | 10,102 |
| Foreign Exchange Contracts | 2 | - | 2 | - |

Liabilities measured at fair value

| | | | | |
|----------------------------|---|---|---|---|
| Foreign Exchange Contracts | - | - | - | - |
|----------------------------|---|---|---|---|

30 June 2017
Assets measured at fair value

| | | | | |
|----------------------------|--------|---|---|--------|
| Land and Buildings | 10,237 | - | - | 10,237 |
| Foreign Exchange Contracts | - | - | - | - |

Liabilities measured at fair value

| | | | | |
|----------------------------|----|---|----|---|
| Foreign Exchange Contracts | 33 | - | 33 | - |
|----------------------------|----|---|----|---|

At 30 June 2017 the fair value of land, buildings and improvements was determined by reference to valuations performed in June 2017. For December 2017, it was determined by Directors valuation that there was no significant change in fair value.

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.

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.

12. Segment informationIdentification 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 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 steel plate products. From July 2011 the overseas operations 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 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 major distributors who account for 30% (2016: 13%), 18% (2016: 21%) and 16% (2016: 16%) of total external revenue.

12. Segment information (continued)
Information about reportable segments

The following table presents revenue and result information regarding these segments for the half years ended 31 December 2017 and 31 December 2016.

| | Consolidated | | |
|---|------------------------------------|----------------------------------|-----------------|
| | Australian Operations \$'000 | Overseas Operations \$'000 | Total \$'000 |
| 31 December 2017 | | | |
| Sales to external customers | 31,338 | 8,603 | 39,941 |
| Inter-segment sales | 5,279 | - | 5,279 |
| Total segment revenue | 36,617 | 8,603 | 45,220 |
| Inter-segment elimination Revenue | | | (5,279) |
| | | | <u>39,941</u> |
| Segment profit/(loss) before income tax | 1,330 | 1,033 | 2,363 |
| 31 December 2016 | | | |
| Sales to external customers | 19,728 | 7,797 | 27,525 |
| Inter-segment sales | 5,017 | - | 5,017 |
| Total segment revenue | 24,745 | 7,797 | 32,542 |
| Inter-segment elimination Revenue | | | (5,017) |
| | | | <u>27,525</u> |
| Segment profit/(loss) before income tax | (615) | 991 | 376 |

13. Income Tax

The income tax expense of \$901K for the half year differs from what it would have been under the Group's statutory income tax rate of 30% (\$709K) primarily due to controlled foreign company (CFC) attributed income.

Directors' Declaration

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

In the opinion of the directors:

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

(i) Giving a true and fair view of the financial position as at 31 December 2017 and of its performance for the half year ended on that date of the consolidated entity; and

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

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

On behalf of the Board



Greg Albert
Managing Director
22 February 2018

Independent Auditor's Review Report to the Members of Bisalloy Steel Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Bisalloy Steel Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the statement of financial position as at 31 December 2017, 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, nothing has come to our attention that causes us to believe that the half-year financial report of the Group is not 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 31 December 2017 and of its consolidated financial performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors 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

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 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to 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 Group's consolidated financial position as at 31 December 2017 and its consolidated financial performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the half year financial report

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script that reads 'Glenn Maris'.

Glenn Maris
Partner
Sydney
22 February 2018