



BISALLOY STEEL GROUP LIMITED

A.C.N. 098 674 545

**Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2010 (“HY11”)
Results for announcement to the market**

		Absolute Change		HY11 \$'000	HY10 \$'000	
Profit/(Loss) attributable to members	Up	182.7%	to	1,715	(2,073)	
Revenue	Up	1.9%	to	40,431	39,685	
Profit/(Loss) before tax	Up	220.9%	to	3,174	(2,624)	
Profit/(Loss) after tax	Up	204.1%	to	2,044	(1,964)	
Dividends						
		Amount per share		Franked amount per share		
<u>Half year ended 31 December 2010</u>						
Interim dividend		Nil		Nil		
<u>Half year ended 31 December 2009</u>						
Interim dividend		Nil		Nil		
Record date for determining entitlements to the dividend		N/A				
				HY11	HY10	
Other						
Net tangible asset backing per share					4.1cps	2.6cps

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 LTD**A.B.N 22 098 674 545****CONDENSED CONSOLIDATED FINANCIAL REPORT****HALF-YEAR ENDED 31 DECEMBER 2010**

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2010

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 Graeme Pettigrew	Non-Executive Director
Mr Robert Terpening	Chief Executive Officer and Managing Director

Review of Operations

Operating results are summarised as follows:

	<u>2010</u>	<u>2009</u>
	<u>\$'000</u>	<u>\$'000</u>
Revenue	40,431	39,685
Profit / (Loss) after tax	2,044	(1,964)

Summary

Bisalloy Group comprises Bisalloy Steels Pty Limited in Australia and the majority owned distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy Thailand).

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 Australian steel manufacturing and construction sectors experienced a slowing in demand during the period, at the same time as the strong Australian dollar has seen the Australian market for quench and tempered steel become more competitive as overseas steel producers have sought new markets for their surplus production capacity during a period when their own domestic demand remains subdued. The stronger dollar has also limited the opportunities to expand export sales. These have combined to restrict the growth in Australian sales revenue. The strong Australian dollar has however assisted the Group in securing competitively priced inputs (i.e. steel plate) which has supported margins despite solid competition from overseas producers.

The distribution subsidiaries in Indonesia and Thailand were profitable during the period. The Indonesian market, which leverages off a significant mining industry, has performed strongly. The Thai market has been more subdued, but opportunities have developed in project work for the export market.

Results

Revenues of the Group in the period were \$40.4m. EBITDA has lifted from a loss of \$0.4m to a profit of \$5.0m in the current period. The higher margins secured from sourcing competitively priced greenfeed both domestically and from overseas has resulted in profit after tax improving by \$4m to \$2.0m from a loss in the corresponding period of \$2.0m.

Inventory levels lifted during the later part of the period with the slow-down in the domestic steel market. The increased working capital from the higher inventory has lifted borrowing levels by \$1.5m from those at 30 June 2010, however this inventory is competitively priced and it is expected excess inventory will clear from the working capital over the second half of the 2011 financial year.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2010.

Auditor Independence

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

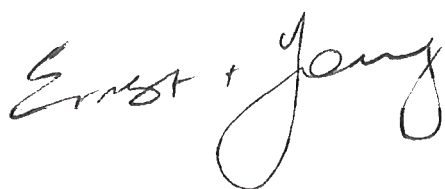
Signed in accordance with a resolution of the directors.



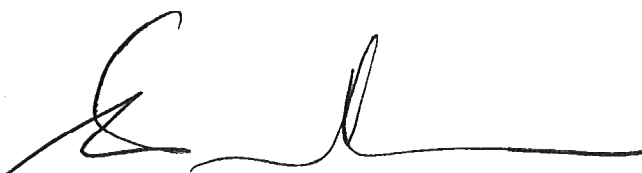
Robert Terpening
Managing Director
18 February 2010

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

In relation to our review of the financial report of Bisalloy Steel Group Limited for the half-year ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Trent van Veen'.

Trent van Veen
Partner
Sydney
18 February 2011

Consolidated Statement of Comprehensive Income
Half year ended 31 December 2010

	Notes	Consolidated	
		Half Year 31 Dec 2010 \$'000	Half Year 31 Dec 2009 \$'000
Continuing operations			
Revenue			
Sales of goods		40,425	39,670
Finance revenue	3(a)	6	15
		<u>40,431</u>	<u>39,685</u>
Cost of sales		(31,998)	(36,844)
Gross profit		8,433	2,841
Other income		61	263
Distribution expenses		(426)	(290)
Marketing expenses		(1,065)	(746)
Occupancy expenses		(370)	(357)
Administrative expenses		(2,154)	(2,573)
		<u>4,479</u>	<u>(862)</u>
Profit/(Loss) before tax and finance costs		4,479	(862)
Finance costs	3(b)	(1,305)	(1,762)
		<u>3,174</u>	<u>(2,624)</u>
Profit/(Loss) before income tax		3,174	(2,624)
Income tax (expense)/benefit		(1,130)	660
		<u>2,044</u>	<u>(1,964)</u>
Profit/(Loss) after tax		2,044	(1,964)
Net Profit/(Loss) for the period		2,044	(1,964)
Other Comprehensive Income:			
Fair value loss on cash flow hedges		(453)	(24)
Foreign currency translation		(1,585)	(623)
Income tax on items in other comprehensive income		136	7
Other Comprehensive Income for the period		(1,902)	(640)
Total Comprehensive Income for the period		142	(2,604)
Profit/(Loss) for the period is attributable to:			
Non-controlling interest		329	109
Owner's of the parent		1,715	(2,073)
		<u>2,044</u>	<u>(1,964)</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		(146)	-
Owner's of the parent		288	(2,604)
		<u>142</u>	<u>(2,604)</u>
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	0.8	(1.0)
- Diluted earnings per share (cents per share)		0.8	(1.0)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes

**Consolidated Statement of Financial Position
31 December 2010**

		Consolidated	
	Notes	31 Dec 2010 \$'000	30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	503	1,347
Trade and other receivables		12,965	19,581
Inventories		18,843	12,913
Income tax receivable		176	-
Other current assets		606	268
Derivative financial instruments		96	111
Total current assets		33,189	34,220
Non current assets			
Deferred tax asset		919	1,367
Property, plant and equipment		12,743	12,248
Other financial assets		291	313
Total non current assets		13,953	13,928
Total assets		47,142	48,148
LIABILITIES			
Current liabilities			
Trade and other payables		12,535	15,613
Interest bearing loans and borrowings		498	716
Income tax payable		-	690
Provisions		1,584	1,529
Derivative financial instruments		1,185	38
Total current liabilities		15,802	18,586
Non current liabilities			
Interest bearing loans and borrowings		19,136	17,398
Provisions		268	285
Total non current liabilities		19,404	17,683
Total liabilities		35,206	36,269
NET ASSETS		11,936	11,879
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	65,539	65,539
Accumulated losses		(55,379)	(57,094)
Other reserves		(1,262)	102
Parent interests		8,898	8,547
Non-controlling interests		3,038	3,332
TOTAL EQUITY		11,936	11,879

The above Statement of Financial Position should be read in conjunction with the accompanying notes

**Consolidated Statement of Cash Flows
Half Year ended 31 December 2010**

	Consolidated		
	Notes	Half Year 31 Dec 2010 \$'000	Half Year 31 Dec 2009 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		50,629	37,313
Payments to suppliers and employees (inclusive of GST)		(49,479)	(28,883)
Interest received		6	15
Finance costs		(1,230)	(1,762)
Income tax paid		(1,050)	13
		(1,124)	6,696
Cash flows from investing activities			
Payments for property, plant and equipment		(1,115)	(466)
Proceeds from sale of fixed assets		23	-
		(1,092)	(466)
Cash flows from financing activities			
Increase/(repayment) of borrowings (net)		1,520	(11,538)
Proceeds from issue of ordinary shares		-	4,941
Payments for transaction costs		-	(22)
Dividend paid to non-controlling interest		(148)	(180)
		1,372	(6,799)
Net (decrease)/increase in cash and cash equivalents		(844)	(569)
Cash and cash equivalents at the beginning of period		1,347	1,784
Cash and cash equivalents the end of period		503	1,215

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2010

	<i>Attributable to equity holders of the Company</i>							
	Issued capital	Employee equity benefits reserve	Net gain/ (loss) on cash flow hedges	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2010	65,539	121	52	(71)	(57,094)	8,547	3,332	11,879
Profit/(Loss) for the period	-	-	-	-	1,715	1,715	329	2,044
Other comprehensive income	-	-	(317)	(1,110)	-	(1,427)	(475)	(1,902)
Total comprehensive income	-	-	(317)	(1,110)	1,715	288	(146)	142
Transactions with owners in their capacity as owners:								
Dividends paid to non-controlling interests	-	-	-	-	-	-	(148)	(148)
Share based payments	-	63	-	-	-	63	-	63
At 31 December 2010	65,539	184	(265)	(1,181)	(55,379)	8,898	3,038	11,936
At 30 June 2009	60,627	24	-	(777)	(57,123)	2,751	3,560	6,311
Profit/(Loss) for the period	-	-	-	-	(2,073)	(2,073)	109	(1,964)
Other comprehensive income	-	-	(17)	(514)	-	(531)	(109)	(640)
Redesignation of FCTR from non-controlling interests	-	-	-	503	-	503	(503)	-
Total comprehensive income	-	-	(17)	(11)	(2,073)	(2,101)	(503)	(2,604)
Transactions with owners in their capacity as owners:								
Proceeds from issue of share capital	4,941	-	-	-	-	4,941	-	4,941
Transaction costs on share issue	(22)	-	-	-	-	(22)	-	(22)
Dividends paid to non-controlling interests	-	-	-	-	-	-	(180)	(180)
At 31 December 2009	65,546	24	(17)	(788)	(59,196)	5,569	2,877	8,446

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes

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 2010 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 assets and liabilities classified as held for sale, which are measured at fair value less costs to sell and derivative financial instruments which have been 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 2010 and considered together with any public announcements made by the Company during the half year ended 31 December 2010 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 Class Order 98/100. The Company is an entity to which the class order applies.

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 Statement of comprehensive income and within equity in the Statement of financial position, separately from parent shareholders' equity.

		Consolidated	
		Half Year 31 Dec 2010 \$'000	Half Year 31 Dec 2009 \$'000
2. Dividends:			
	Dividends paid		
	Final 2010 dividend nil (2009: nil)	-	-
3. Revenues and expenses:			
	(a) Finance revenue		
	Interest	6	15
		6	15
	(b) Finance costs		
	Bank loans and overdrafts	1,300	1,733
	Other interest	5	29
	Total finance costs	1,305	1,762
	(c) Depreciation, amortisation and costs of inventories included in the Statement of comprehensive income		
	Depreciation and amortisation	486	432
	Cost of inventories (i)	31,998	36,844
	(d) Foreign exchange differences included in net profit		
	Fair value loss on derivatives	711	45
	Foreign exchange (gain)/loss	(617)	404
	The fair value loss on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at 31 December 2010.		
	(e) Lease payment and other expenses included in the Statement of comprehensive income		
	Rental – operating leases	183	130
	(f) Employee benefits expense		
	Wages and salaries	4,310	3,699
	Workers' compensation costs	307	93
	Superannuation costs	283	255
	Share based payments	63	-
		4,963	4,047

(i) During the year the directors have reassessed and reclassified certain components of other expenses into cost of inventories sold. The comparative figures have been restated accordingly.

		Consolidated	
		31 Dec 2010 \$'000	30 June 2010 \$'000
4. Issued capital:			
<i>Ordinary shares</i>			
<i>Issued and fully paid</i>		65,539	65,539
		Thousands	\$'000
<i>Movement in ordinary shares on issue</i>			
At 1 Jan 2010		216,456	65,546
Issued during the period		-	-
Tax adjustment		-	(7)
At 30 Jun 2010		216,456	65,539
Issued during the period		-	-
At 31 Dec 2010		216,456	65,539
		Half Year 31 Dec 2010 '\$000	Half Year 31 Dec 2009 '\$000
5. Earnings per share:			
Calculation of the following in accordance with AASB 133:			
Net profit/(loss) from continuing operations		2,044	(1,964)
Net profit attributable to non controlling interests		(329)	(109)
Net profit/(loss) attributable to equity holders from continuing operations		1,715	(2,073)
Net profit/(loss) attributable to equity holders of the parent		1,715	(2,073)
Net profit/(loss) attributable to ordinary shareholders for diluted earnings per share		1,715	(2,073)
		Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share		216,456	209,398
Effects of dilution:			
Performance rights		1,507	135
Adjusted weighted average number of ordinary shares for diluted earnings per share		217,963	209,533
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share		-	-

Consolidated

	31 Dec 2010 \$'000	30 June 2010 \$'000
6. Cash and cash equivalents		
Cash at bank and in hand	503	1,347
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 31 December:		
Cash at bank and in hand	503	1,347
	503	1,347
b. Non-cash financing activities		
<i>Dividend reinvestment plan</i>		
No shares were issued under the dividend reinvestment plan during the six months ending 31 December 2010 (31 December 2009: nil).		
7. Commitments and contingencies		
There has been no material change of any contingent liability or contingent asset since the last annual reporting date.		
8. Events after the balance date		
There have been no significant events after the balance sheet date.		

9. 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 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 stainless steel products.

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 18% (2009: 12%) and 16% (2009: 13%) of total external revenue. The next most significant client account is end users with one major customer who accounts for 10% (2009: 1%) of total external revenue.

9. 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 2010 and 31 December 2009.

	Consolidated		
	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2010			
Sales to external customers	30,460	9,928	40,388
Other revenue from external customers	40	3	43
Inter-segment sales	4,843	-	4,843
Total segment revenue	35,343	9,931	45,274
Inter-segment elimination			(4,843)
Total consolidated revenue			40,431
Segment profit before income tax	1,613	1,561	3,174
31 December 2009			
Sales to external customers	30,576	9,077	39,653
Other revenue from external customers	15	17	32
Inter-segment sales	5,573	-	5,573
Total segment revenue	36,164	9,094	45,258
Inter-segment elimination			(5,573)
Total consolidated revenue			39,685
Segment (loss)/profit before income tax	(3,080)	456	(2,624)

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 2010 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



Robert Terpening
Managing Director
18 February 2011

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), which comprises the condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed 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.

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 controls that the directors determine are 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 Interim and Other Financial Reports Performed by the Independent 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 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 2010 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*. As the auditor of Bisalloy Steel Group Limited (the company) and the entities it controlled during the half-year, 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.

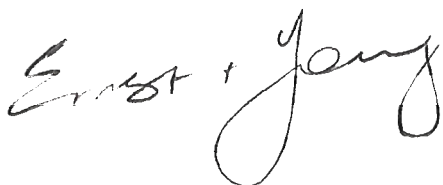
Independence

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 by reference in the Directors' Report.


Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Bisalloy Steel Group Limited 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 2010 and of its 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*.

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

Ernst & Young

A handwritten signature in cursive script, appearing to read 'Trent van Veen'.

Trent van Veen
Partner
Sydney
18 February 2011