



BISALLOY STEEL GROUP LIMITED

A.C.N. 098 674 545

**Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2011 (“HY12”)
Results for announcement to the market**

		Absolute Change		HY12 \$'000	HY11 \$'000
Profit attributable to members	Up	55%	to	2,658	1,715
Revenue	Up	24.1%	to	50,188	40,431
Profit before income tax	Up	31.5%	to	4,174	3,174
Profit after income tax	Up	42%	to	2,903	2,044
Dividends					
		Amount per share		Franked amount per share	
<u>Half year ended 31 December 2011</u>					
Interim dividend		Nil		Nil	
<u>Half year ended 31 December 2010</u>					
Interim dividend		Nil		Nil	
Record date for determining entitlements to the dividend			N/A		
				HY12	HY11
Other					
Net tangible asset backing per share				6.9cps	4.1cps

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 2011**

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Directors' Report

Your directors submit their report for the half-year ended 31 December 2011

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>2011</u>	<u>2010</u>
	<u>\$'000</u>	<u>\$'000</u>
Revenue	50,188	40,431
Profit after income tax	2,903	2,044

Summary

Bisalloy 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 strong Australian dollar has seen the Australian market for quench and tempered steel intensify as overseas steel producers have sought markets for their surplus production capacity during a period when their own domestic demand remains subdued. Despite these challenges the Group has increased its revenue and profits for the half year to December 2011, with a strong performance in the Australian domestic market. The stronger dollar has however continued to limit opportunities to expand export sales and the international armour markets have remained subdued with lower demand and surplus capacity. The strong Australian dollar has however assisted the Group in securing competitively priced inputs (i.e. steel plate) which has enabled Bisalloy to effectively compete in a challenging market.

The distribution subsidiaries in Indonesia and Thailand remained profitable during the period. The Indonesian market continues to leverages off an expanding mining industry, however the Thai market has been more subdued, with the wide scale flooding depressing economic activity.

Despite still being in start up phase, the Chinese joint venture secured its first sales of Bisplate and the contributed a small profit of \$24k to the Group results.

Results

Revenues of the Group in the period were \$50,188k. EBITDA has lifted from \$4,965k to \$5,633k in the current period (before contribution from the Chinese joint venture). The higher revenue and lower financing costs resulted in profit after tax improving by \$859k to \$2,903k from the corresponding period profit of \$2,044k.

Debt at 31 December had been reduced to \$13,953k (30 June 2011 - \$15,811k) as the Group maintains its focus on reducing debt to more appropriate levels. The outstanding debt has been classified as a current liability in accordance with the Accounting Standards as the facility is due for renewal in October 2012. The Director's are confident that an appropriate financing facility will be in place prior to 30 June 2012.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2011.

Auditor Independence

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

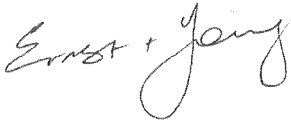
Signed in accordance with a resolution of the directors.



Robert Terpening
Managing Director
17 February 2012

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 2011, 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.



Ernst & Young



Trent van Veen
Partner
Sydney
17 February 2012

**Consolidated Statement of Comprehensive Income
Half year ended 31 December 2011**

	Notes	Consolidated	
		Half Year 31 Dec 2011 \$'000	Half Year 31 Dec 2010 \$'000
Continuing operations			
Revenue			
Sales of goods		50,167	40,425
Finance revenue	3(a)	21	6
		<u>50,188</u>	<u>40,431</u>
Cost of sales		(40,379)	(31,998)
Gross profit		9,809	8,433
Other income		50	61
Distribution expenses		(495)	(426)
Marketing expenses		(1,487)	(1,065)
Occupancy expenses		(367)	(370)
Administrative expenses		(2,389)	(2,154)
		<u>5,121</u>	<u>4,479</u>
Share of profit of interest in joint venture	7	24	-
Profit before tax and finance costs		5,145	4,479
Finance costs	3(b)	(971)	(1,305)
Profit before income tax		4,174	3,174
Income tax expense		(1,271)	(1,130)
Profit after income tax		2,903	2,044
Other Comprehensive Income:			
Fair value loss on cash flow hedges		177	(453)
Foreign currency translation		(8)	(1,585)
Income tax on items in other comprehensive income		(53)	136
Other Comprehensive Income for the period		116	(1,902)
Total Comprehensive Income for the period		3,019	142
Profit for the period is attributable to:			
Non-controlling interest		245	329
Owner's of the parent		2,658	1,715
		<u>2,903</u>	<u>2,044</u>
Total comprehensive income for the period is attributable to:			
Non-controlling interest		250	(146)
Owner's of the parent		2,769	288
		<u>3,019</u>	<u>142</u>
Earnings per share for profit attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	1.2	0.8
- Diluted earnings per share (cents per share)	5	1.2	0.8

**Consolidated Statement of Financial Position
31 December 2011**

		Consolidated		
		Notes	31 Dec 2011 \$'000	30 June 2011 \$'000
ASSETS				
Current assets				
Cash and cash equivalents	6		1,273	610
Trade and other receivables			14,015	13,282
Inventories			18,379	13,703
Income tax receivable			-	269
Other current assets			908	639
Derivative financial instruments			39	191
Total current assets			34,614	28,694
Non current assets				
Property, plant and equipment			17,443	16,891
Other financial assets			249	270
Investment in joint venture	7		1,024	-
Total non current assets			18,716	17,161
Total assets			53,330	45,855
LIABILITIES				
Current liabilities				
Trade and other payables			17,069	11,383
Interest bearing loans and borrowings			13,953	833
Income tax payable			762	-
Provisions			1,873	1,810
Derivative financial instruments			289	845
Total current liabilities			33,946	14,871
Non current liabilities				
Interest bearing loans and borrowings			-	14,978
Provisions			317	318
Deferred contribution to joint venture	7		500	-
Deferred tax liabilities			385	382
Total non current liabilities			1,202	15,678
Total liabilities			35,148	30,549
NET ASSETS			18,182	15,306
EQUITY				
Equity attributable to equity holders of the parent				
Contributed equity	4		65,539	65,539
Accumulated losses			(52,007)	(54,665)
Other reserves			1,479	1,255
Parent interests			15,011	12,129
Non-controlling interests			3,171	3,177
TOTAL EQUITY			18,182	15,306

**Consolidated Statement of Cash Flows
Half Year ended 31 December 2011**

		Consolidated	
Notes	Half Year 31 Dec 2011 \$'000	Half Year 31 Dec 2010 \$'000	
Cash flows from operating activities			
	53,321	48,424	
Receipts from customers (inclusive of GST)			
	(47,824)	(47,403)	
Payments to suppliers and employees (inclusive of GST)			
	21	6	
Interest received			
	(971)	(1,230)	
Finance costs			
	(219)	(1,050)	
Income tax paid			
	4,328	(1,253)	
Net cash inflow/(outflow) from operating activities			
Cash flows from investing activities			
	(1,067)	(1,115)	
Payments for property, plant and equipment			
	11	23	
Proceeds from sale of fixed assets			
	(500)	-	
Payments for investment in a joint venture			
	(1,556)	(1,092)	
Net cash outflow from investing activities			
Cash flows from financing activities			
	(1,858)	1,520	
(Repayment)/increase of borrowings			
	(256)	(148)	
Dividend paid to non-controlling interest			
	(2,114)	1,372	
Net cash (outflow)/inflow from financing activities			
	658	(973)	
Net increase/(decrease) in cash and cash equivalents			
	5	129	
Net foreign exchange differences			
	610	1,347	
Cash and cash equivalents at the beginning of period			
Cash and cash equivalents the end of period	6(a) 1,273	503	

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2011

	<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	Asset Revaluation Reserve	Retained earnings	Total	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2011	65,539	299	(277)	(1,567)	2,800	(54,665)	12,129	3,177	15,306
Profit/(Loss) for the period	-	-	-	-	-	2,658	2,658	245	2,903
Other comprehensive income	-	-	124	(13)	-	-	111	5	116
Total comprehensive income	-	-	124	(13)	-	2,658	2,769	250	3,019
Transactions with owners in their capacity as owners:									
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(256)	(256)
Share based payments	-	113	-	-	-	-	113	-	113
At 31 December 2011	65,539	412	(153)	(1,580)	2,800	(52,007)	15,011	3,171	18,182
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

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 2011 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 and derivative financial instruments, 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 2011 and considered together with any public announcements made by the Company during the half year ended 31 December 2011 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 consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from the equity of the owners of the parent.

		Consolidated	
		Half Year 31 Dec 2011 \$'000	Half Year 31 Dec 2010 \$'000
2. Dividends:			
	Dividends paid		
	Final 2011 dividend nil (2010: nil)	-	-
3. Revenues and expenses:			
	(a) Finance revenue		
	Interest	21	6
		21	6
	(b) Finance costs		
	Bank loans and overdrafts	970	1,300
	Other interest	1	5
	Total finance costs	971	1,305
	(c) Depreciation and amortisation included in the Statement of comprehensive income	512	486
	(d) Foreign exchange differences included in net profit		
	Fair value loss on derivatives	60	711
	Foreign exchange gain	(73)	(617)
	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 2011.		
	(e) Lease payment and other expenses included in the Statement of comprehensive income		
	Rental – operating leases	159	183
	(f) Employee benefits expense		
	Wages and salaries	5,693	4,617
	Superannuation costs	331	283
	Share based payments	113	63
		6,137	4,963

		Consolidated	
		31 Dec 2011 \$'000	30 June 2011 \$'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 2011		216,456	65,539
Issued during the period		-	-
At 30 Jun 2011		216,456	65,539
Issued during the period		-	-
At 31 Dec 2011		216,456	65,539
		Half Year 31 Dec 2011 '\$000	Half Year 31 Dec 2010 '\$000
5. Earnings per share:			
Calculation of the following in accordance with AASB 133:			
Net profit for the period		2,903	2,044
Net profit attributable to non-controlling interests		(245)	(329)
Net profit attributable to equity holders of the parent		2,658	1,715
		Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share		216,456	216,456
Effects of dilution:			
Performance rights		2,665	1,507
Adjusted weighted average number of ordinary shares for diluted earnings per share		219,121	217,963
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share		-	-

		Consolidated	
		31 Dec 2011 \$'000	30 June 2011 \$'000
6. Cash and cash equivalents			
	Cash at bank and in hand	1,273	610
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	1,273	610
		<u>1,273</u>	<u>610</u>
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 2011 (31 December 2010: nil).		
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 has agreed to contribute US\$1 million for a 50% share in the operating result of the joint venture. As at 31 December 2011 US\$500,000 had been paid, with the balance due by July 2013. Since the date of formation, the Groups' share of the result of the joint venture on an equity accounted basis is \$24k.		
8. Commitments and contingencies			
	There has been no material change of any contingent liability or contingent asset since the last annual reporting date.		
9. Events after the balance date			
	As announced at the AGM in November 2011, Bisalloy set up a facility for the acquisition and sale of unmarketable parcels of shares. This facility was closed on Friday 6 January 2012, with all shares in the facility sold on Monday 9 January 2012 and funds have been distributed to the relevant shareholders.		
	At the Annual General Meeting held on 21 November 2011, the shareholders resolved that the issued share capital in Bisalloy be consolidated on the basis that every five shares be consolidated into one share. This consolidation was completed on 23 January 2012, and following the consolidation Bisalloy had 43,291,509 fully paid ordinary shares on issue.		

10. 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 steel plate 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 20% (2010: 18%) and 20% (2010: 16%) of total external revenue. The next most significant client account is end users with one major customer in the Australian operation who accounts for 11% (2010: 10%) of total external revenue.

10. 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 2011 and 31 December 2010.

	Consolidated		
	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2011			
Sales to external customers	43,198	6,969	50,167
Finance revenue	3	18	21
Inter-segment sales	3,548	6	3,554
Total segment revenue	46,749	6,993	53,742
Inter-segment elimination			(3,554)
Total consolidated revenue			50,188
Segment profit before income tax	3,202	972	4,174
31 December 2010			
Sales to external customers	30,497	9,928	40,425
Other revenue from external customers	3	3	6
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 (loss)/profit before income tax	1,613	1,561	3,174

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 2011 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
17 February 2012

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 2011, 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 or from time to time during the half year.

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 as 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 a Financial Report 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 2011 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 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.

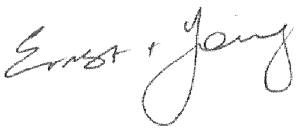
Independence

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 in the Directors' Report.

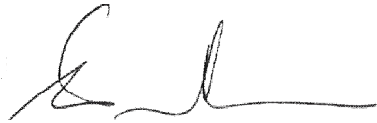
Conclusion

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 2011 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
17 February 2012