



BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545

Appendix 4D – Half Yearly Financial Report
Half Year ended 31 December 2014 (“HY15”)
Results for announcement to the market

		Absolute Change		HY15 \$'000	HY14 \$'000
Profit/(Loss) attributable to members	Up	246.5%	to	832	(568)
Revenue	Up	1.5%	to	28,685	28,270
Profit/(Loss) before income tax from continuing operations	Up	436.0%	to	1,600	(476)
Profit/(Loss) after income tax	Up	315.4%	to	991	(460)

Dividends	Amount per share	Franked amount per share
<u>Half year ended 31 December 2014</u>		
Interim dividend	Nil	Nil
<u>Half year ended 31 December 2013</u>		
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

	HY15	HY14
Other		
Net tangible asset backing per share	47.7cps	46.5cps

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 2014**

CONTENTS	Page
Directors' Report	3
Auditor's Independence Declaration	6
Consolidated statement of profit or loss and other comprehensive income	7
Consolidated statement of financial position	8
Consolidated statement of cash flows	9
Consolidated statement of changes in equity	10
Notes to the consolidated financial statements	11
Directors' declaration	19
Independent auditor's review report	20

Directors' Report

Your directors submit their report for the half year ended 31 December 2014.

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 Robert Terpening	Chief Executive Officer and Managing Director

Review of Operations

Operating results are summarised as follows:

	<u>December 2014</u>	<u>December 2013</u>
	<u>\$'000</u>	<u>\$'000</u>
Revenue	28,685	28,270
Profit/(Loss) after income tax	991	(460)

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 FY15. As of this report, the Group has gone 641 days without a Lost Time Injury.

Domestic demand for Quenched and Tempered ("Q&T") steel plate stabilised in H1 FY15. While resource projects which have moved into their production phase have provided a base of repairs and maintenance requirements, the reduction in capital projects across the resources sector has meant a reduction in the total available domestic market for Q&T steel plate.

The restructuring of the Group's Australian operations that occurred in Q4 FY14 has achieved a significant reduction in the operating cost base of the business, around \$2.5m per annum, and provided a platform for profitability based on the current domestic market requirements for Q&T steel plate.

In addition to this platform for profitability, increased sales of armour plate, increased sales of exported Q&T steel plate, success with an Anti-Dumping action and the softening of the A\$ have all contributed to an improvement in the H1 FY15 trading performance.

Success in an Anti-Dumping action against exports from Sweden, Finland and Japan into the Australian market that was confirmed by the Parliamentary Secretary to the Minister for Industry in November 2014 will, in the medium term, provide the opportunity for Bisalloy Steels to regain domestic market share that had been eroded over recent years by the dumping of Q&T steel plate into the Australian market. While the domestic supply chain still has excess inventory available at this time, a marked reduction of Q&T imports in recent months and the withdrawal of one competitor from the domestic market will benefit Bisalloy Steels in H2 FY15 and beyond.

The depreciation of the A\$ against the US\$ during recent times has also benefitted the Group's Australian operations. Increased enquiries for both Q&T steel plate and armour plate have partially offset the reduction in the total available domestic market. With the costs of imported Q&T into Australia likely to increase over the coming year, Bisplate's superior competitive offering based on availability, quality, technical support and price will be difficult to replicate.

Product development continues to be a high priority for the Group and during H1 FY15 Bisalloy Steels released new products for both the mining market and the armoured protection market. Further, Bisalloy Steels has joined the Australian Government sponsored, Australian Research Council Research Hub for Australian Steel Manufacturing or 'Steel Research Hub'. The 'Steel Research Hub' is a partnership between 6 Australian universities and a number of leading steel industry organisations. This initiative is already leading to investigations into new technologies that can be applied in Bisalloy's product development program.

The Group's majority owned entities in Indonesia and Thailand continued to operate profitably during the period. The resources and manufacturing industries in Indonesia and Thailand continue to experience similarly weak market conditions as seen in Australia.

The Bisalloy Jigang Co-operative Joint Venture ("CJV") in the People's Republic of China has continued its steady growth in a challenging Chinese market. The Group's profit contribution from the CJV increased by 50% from the corresponding period and while the rate of growth is slower than originally anticipated, it is pleasing to report that the Group's initial investment of US\$1m in the CJV is likely to be fully recouped by the 30th June 2015. This growth opportunity for the Group remains extremely attractive as it is low risk and has scope for significant upside. The interaction between Bisalloy and its Chinese partners is regular, consultative and very positive.

Results

Revenues of the Group in the period were \$28,685k, up 1.5% from the corresponding period. EBIT before the CJV contribution has risen to \$1,941k from \$32k and the share of profit from the CJV has increased 50% in the corresponding period. Higher revenue and reduced operating expenditure attributable to restructuring measures undertaken in Q4 FY14 has resulted in a profit after tax of \$991k.

Net operating cash inflow in the six months was \$3,384k compared to an outflow of \$98k in the previous corresponding period, largely due to the improvement in the Company's earnings and augmented by further improvements in net working capital.

Net debt at 31 December 2014 had decreased to \$7.2m (30 June 2014 - \$10.1m) and matures on 31 October 2015 with renewal negotiations to be completed by 30 June 2015. Inventory levels have risen by \$3.5m in the six months to December 2014.

Dividend

No dividend will be paid in respect of the half year ended 31 December 2014.

Auditor Independence

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

Signed in accordance with a resolution of the directors.



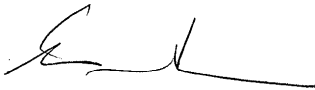
Robert Terpening
Managing Director
24 February 2015

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 2014, 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
24 February 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half year ended 31 December 2014

	Notes	Consolidated	
		Half Year 31 Dec 2014 \$'000	Half Year 31 Dec 2013 \$'000
Continuing operations			
Revenue			
Sales of goods		28,685	28,270
Cost of sales		(22,433)	(23,052)
Gross profit		6,252	5,218
Other income / (expense)		340	(19)
Distribution expenses		(745)	(666)
Marketing expenses		(1,271)	(1,539)
Occupancy expenses		(320)	(359)
Administrative expenses		(2,315)	(2,603)
Operating profit		1,941	32
Finance costs	3(b)	(494)	(606)
Finance income	3(a)	11	3
Share of profit of interest in joint venture	7	142	95
Profit / (Loss) before income tax from continuing operations		1,600	(476)
Income tax (expense) / benefit		(609)	16
Profit / (Loss) after income tax		991	(460)
Other Comprehensive Income:			
Items that may be subsequently reclassified to net profit			
Fair value (loss) / gain on cash flow hedges		96	(110)
Foreign currency translation		1,329	(946)
Income tax on items in other comprehensive income		(28)	33
Items that will not be reclassified to net profit		-	-
Other Comprehensive Income / (Loss) for the period		1,397	(1,023)
Total Comprehensive Income / (Loss) for the period		2,388	(1,483)
Profit / (Loss) for the period is attributable to:			
Non-controlling interest		159	108
Owner's of the parent		832	(568)
		991	(460)
Total comprehensive income /(loss) for the period is attributable to:			
Non-controlling interest		447	(245)
Owner's of the parent		1,941	(1,238)
		2,388	(1,483)
Earnings per share for profit / (loss) attributable to ordinary equity holders of the parent			
- Basic earnings per share (cents per share)	5	1.9	(1.3)
- Diluted earnings per share (cents per share)	5	1.9	(1.3)

**Consolidated Statement of Financial Position
31 December 2014**

	Notes	Consolidated	
		31 Dec	30 June
		2014	2014
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	1,211	814
Trade and other receivables		8,183	9,835
Inventories		19,308	15,792
Other current assets		943	859
Income tax receivable		-	36
Derivative financial instruments		284	5
Total current assets		29,929	27,341
Non current assets			
Property, plant and equipment		15,285	15,600
Other financial assets		120	142
Investment in joint venture	7	1,130	988
Total non current assets		16,535	16,730
Total assets		46,464	44,071
LIABILITIES			
Current liabilities			
Trade and other payables		11,323	8,742
Income tax payable		9	-
Provisions		2,156	2,049
Interest bearing loans and borrowings		8,459	643
Derivative financial instruments		-	96
Total current liabilities		21,947	11,530
Non current liabilities			
Interest bearing loans and borrowings		-	10,306
Provisions		327	320
Deferred tax liabilities		578	235
Total non current liabilities		905	10,861
Total liabilities		22,852	22,390
NET ASSETS		23,612	21,681
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	4	11,478	11,478
Accumulated profits		7,294	6,448
Other reserves		1,962	1,000
Parent interests		20,734	18,926
Non-controlling interests		2,878	2,755
TOTAL EQUITY		23,612	21,681

**Consolidated Statement of Cash Flows
Half Year ended 31 December 2014**

	Consolidated		
	Notes	Half Year 31 Dec 2014 \$'000	Half Year 31 Dec 2013 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		35,991	34,605
Payments to suppliers and employees (inclusive of GST)		(31,877)	(33,551)
Interest received		11	3
Finance costs		(494)	(606)
Income tax paid		(247)	(549)
		3,384	(98)
Net cash inflow / (outflow) from operating activities			
Cash flows from investing activities			
Payments for property, plant and equipment		(284)	(85)
Proceeds from sale of fixed assets		-	9
Payments for investments		-	(539)
Dividends received from investments		-	491
		(284)	(124)
Net cash outflow from investing activities			
Cash flows from financing activities			
(Decrease) / Increase in borrowings		(2,489)	1,628
Dividend paid to non-controlling interest		(324)	(46)
Dividend paid to shareholders of the parent		-	(1,128)
		(2,813)	454
Net cash (outflow) / inflow from financing activities			
Net increase in cash and cash equivalents		287	232
Net foreign exchange differences		110	(54)
Cash and cash equivalents at the beginning of period		814	693
Cash and cash equivalents the end of period	6(a)	1,211	871

Consolidated Statement of Changes in Equity
Half Year ended 31 December 2014

	<i>Attributable to equity holders of the Company</i>									
	Issued	Employee	Net gain/	Foreign	Asset	Equity	Retained	Total	Non-	Total
	capital	benefits	(loss)	currency	Revaluation	Settlement	earnings		controlling	equity
	\$'000	\$'000	on cash	translation	Reserve	Reserve	\$'000	interest	\$'000	\$'000
	reserve	flow	reserve	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2014	11,478	396	(67)	(1,854)	2,713	(188)	6,448	18,926	2,755	21,681
Profit/(Loss) for the period	-	-	-	-	-	-	832	832	159	991
Other comprehensive income	-	-	68	1,041	-	-	-	1,109	288	1,397
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	68	1,041	(14)	-	846	1,941	447	2,388
Transactions with owners in their capacity as owners:										
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(324)	(324)
Share based payments	-	(58)	-	-	-	-	-	(58)	-	(58)
Settlement of performance rights	-	(114)	-	-	-	39	-	(75)	-	(75)
At 31 December 2014	11,478	224	1	(813)	2,699	(149)	7,294	20,734	2,878	23,612
At 30 June 2013	10,874	374	82	(1,020)	2,742	(202)	9,801	22,651	3,222	25,873
Profit/(Loss) for the period	-	-	-	-	-	-	(568)	(568)	108	(460)
Other comprehensive income	-	-	(77)	(592)	-	-	-	(669)	(354)	(1,023)
Depreciation transfer for revaluation of building	-	-	-	-	(14)	-	14	-	-	-
Total comprehensive income	-	-	(77)	(592)	(14)	-	(554)	(1,237)	(246)	(1,483)
Transactions with owners in their capacity as owners:										
Ordinary dividends paid to shareholders	-	-	-	-	-	-	(1,732)	(1,732)	-	(1,732)
Dividend reinvestment plan	604	-	-	-	-	-	-	604	-	604
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(45)	(45)
Share based payments	-	29	-	-	-	-	-	29	-	29
Settlement of performance rights	-	(133)	-	-	-	14	-	(119)	-	(119)
At 31 December 2013	11,478	270	5	(1,612)	2,728	(188)	7,515	20,196	2,931	23,127

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 2014 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 2014 and considered together with any public announcements made by the Company during the half year ended 31 December 2014 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 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 2014 \$'000	Half Year 31 Dec 2013 \$'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 2014: nil (2013: 4 cents)	-	1,732
3.	Revenues and expenses		
(a)	Finance revenue		
	Interest	11	3
		11	3
(b)	Finance costs		
	Bank loans and overdrafts	494	606
	Total finance costs	494	606
(c)	Depreciation and amortisation included in the Statement of profit or loss and other comprehensive income	650	742
(d)	Foreign exchange differences included in net profit		
	Fair value gain on derivatives	279	25
	Foreign exchange gain/(loss)	43	(18)
	The fair value gain on derivatives arose from the valuation of forward exchange contracts that Bisalloy Steels Pty Ltd had in place as at 31 December 2014.		
(e)	Lease payment and other expenses included in the Statement of comprehensive income		
	Rental – operating leases	141	152
(f)	Employee benefits expense		
	Wages and salaries	4,890	4,680
	Superannuation costs	359	351
	Share based payments	(58)	29
		5,191	5,060

		Consolidated	
		31 Dec 2014 \$'000	30 June 2014 \$'000
4. Issued capital			
	<i>Ordinary shares</i>		
	<i>Issued and fully paid</i>	11,478	11,478
		Thousands	\$'000
	<i>Movement in ordinary shares on issue</i>		
	At 1 Jan 2014	43,987	11,478
	At 31 Dec 2014	43,987	11,478
		Half Year 31 Dec 2014 '\$000	Half Year 31 Dec 2013 '\$000
5. Earnings per share			
	Calculation of the following in accordance with AASB 133:		
	Net profit / (loss) for the period	991	(460)
	Net profit / (loss) attributable to non-controlling interests	(159)	(108)
	Net profit / (loss) attributable to equity holders of the parent	832	(568)
		Thousands	Thousands
	Weighted average number of ordinary shares for basic earnings per share	43,987	43,465
	Effects of dilution:		
	Performance rights	214	547
	Adjusted weighted average number of ordinary shares for diluted earnings per share	44,201	44,012

Consolidated

	31 Dec 2014 \$'000	30 June 2014 \$'000
6. Cash and cash equivalents		
Cash at bank and in hand	1,211	814
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	1,211	814
	1,211	814
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 2014 was nil (31 December 2013: 695,725).		
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 Groups' share of the result of the joint venture on an equity accounted basis for the period is \$142k (2013: \$95k).		

Consolidated

31 Dec 2014 \$'000	30 June 2014 \$'000
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8. Assets / Liabilities Measured at Fair Value
a. Financial instruments

Set out below is an overview of derivative financial instruments held by the Group as at 31 December 2014:

Current Assets

Forward currency contracts - Cash flow hedges	-	-
Forward currency contracts – Fair value hedges	284	5
	<u>284</u>	<u>5</u>

Current Liabilities

Forward currency contracts - Cash flow hedges	-	96
Forward currency contracts – Fair value hedges	-	-
	<u>-</u>	<u>96</u>

Instruments used by the Group

Derivative financial instruments are used by the Group in the normal course of business to hedge exposure to fluctuations in foreign exchange rates.

Fair values

The Group uses various methods in estimating the fair value of a financial instrument. 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 financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

31 December 2014
Financial assets measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Foreign exchange contracts	284	-	284	-

Financial liabilities measured at fair value

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Foreign exchange contracts	-	-	-	-

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. There were no transfers between levels during the period.

8. Assets / Liabilities Measured at Fair Value (continued)
30 June 2014
Financial assets measured at fair value

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts	5	-	5	-

Financial liabilities measured at fair value

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Foreign exchange contracts	96	-	96	-

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. There were no transfers between levels during the period.

b. Land and Buildings
31 December 2014
Assets measured at fair value

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Land and Buildings	7,899	-	-	7,899

30 June 2014
Assets measured at fair value

	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
Land and Buildings	7,922	-	-	7,922

At 30 June 2014 the fair value of land, buildings and improvements was determined by reference to valuations performed in June 2014. For December 2014, it was determined by Directors valuation that there was no significant change in fair value.

9. Commitments and contingencies

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

10. Events after the balance date

There have been no significant events after the balance date.

11. 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. 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 20% (2013: 24%), 16% (2013: 17%) and 16% (2013: 17%) of total external revenue.

11. 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 2014 and 31 December 2013.

	Consolidated		
	Australian Operations \$'000	Overseas Operations \$'000	Total \$'000
31 December 2014			
Sales to external customers	22,788	5,897	28,685
Inter-segment sales	3,565	-	3,565
Total segment revenue	26,353	5,897	32,250
Inter-segment elimination			(3,565)
Total consolidated revenue			28,685
Segment profit / (loss) before income tax	781	819	1,600
31 December 2013			
Sales to external customers	21,412	6,858	28,270
Inter-segment sales	3,701	-	3,701
Total segment revenue	25,113	6,858	31,971
Inter-segment elimination			(3,701)
Total consolidated revenue			28,270
Segment profit / (loss) before income tax	(1,238)	762	(476)

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 2014 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
24 February 2015

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 consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated 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 2014 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 half year financial report.

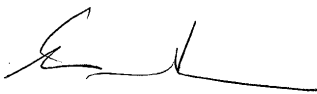
Conclusion

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 2014 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*.



Ernst & Young



Trent van Veen
Partner
Sydney
24 February 2015