

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Financial year ended 30 June 2011
Results for announcement to the market

		Absolute Change		FY11 \$'000	FY10 \$'000
Revenue	Down	10.7%	to	78,307	87,642
Profit before tax	Up	468.3%	to	4,336	763
Profit after tax	Up	615.9%	to	2,985	417
Profit attributable to members	Up	8275.3%	to	2,429	29

Dividends	Amount per share	Franked amount per share
<u>Financial year ended 30 June 2011</u>		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
<u>Financial year ended 30 June 2010</u>		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

	FY11	FY10
Other		
Net tangible asset backing per share	5.6cps	3.9cps

Overview

1. Bisalloy Steel Group Ltd (“the Group”) delivered a FY11 EBITDA before FX of \$7.8m, which is in the upper range of guidance provided to the market. The lower revenue is driven by lower unit sales price which is a result of the strong Australian dollar. Input costs were also reduced by sourcing a significant portion of steel plate from overseas suppliers.
2. The profit attributable to members for FY11 is a strong recovery from a break-even result in FY10 reflecting the recovery in margins.
3. Group borrowings reduced to \$15.8m at 30 June 2011, down from \$18.1m at 30 June 2010, supported by free cash flow. The Group’s finance facility is not due for renewal until October 2012.
4. The Group’s competitive position should translate into a further significant improvement in earnings in FY12.

5. Subsequent to 30 June 2011, the Group announced a joint venture with a leading Chinese steel group for the production, sale and distribution of quench & tempered steel into China and other international markets. The Board expect the joint venture to be producing commercial volumes by the second quarter of FY12 and make a substantial contribution to Group profits from FY13.

Controlled entities acquired or disposed.

No material control over any entities was gained or disposed of during the financial year ended 30 June 2011.

Audit

This report is based on financial statements that are in the process of being audited.

**Consolidated statement of comprehensive income
Year ended 30 June 2011**

	Notes	Consolidated	
		Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Continuing operations			
Revenue			
Sales of goods		78,296	87,621
Finance revenue	3(a)	11	21
		<u>78,307</u>	<u>87,642</u>
Cost of sales	3(c)	(63,165)	(76,019)
Gross profit		15,142	11,623
Other (expenses)/income		(147)	(482)
Distribution expenses		(852)	(629)
Marketing expenses		(2,228)	(1,534)
Occupancy expenses		(748)	(742)
Administrative expenses		(4,501)	(3,981)
		<u>6,666</u>	<u>4,255</u>
Profit before tax and finance costs		6,666	4,255
Finance costs	3(b)	(2,330)	(3,492)
		<u>4,336</u>	<u>763</u>
Profit before income tax		4,336	763
Income tax expense		(1,351)	(346)
		<u>2,985</u>	<u>417</u>
Profit after tax		2,985	417
Other comprehensive income:			
Fair value gain on cash flow hedges		(470)	68
Foreign currency translation		(2,059)	356
Fair value revaluation of land and buildings		4,000	-
Income tax on items in other comprehensive income		(1,059)	(16)
Other comprehensive income for the period		412	408
Total comprehensive income for the period		3,397	825
Net Profit for the period is attributable to:			
Non-controlling interest		556	388
Owner's of the parent		2,429	29
		<u>2,985</u>	<u>417</u>
Total comprehensive income for the period is attributable to:			
to:			
Non-controlling interest		(7)	541
Owner's of the parent		3,404	284
		<u>3,397</u>	<u>825</u>
Earnings per share for profit attributable to ordinary equity holders of the parent			
Basic earnings per share (cents per share)		1.1	0.0
Diluted earnings per share (cents per share)		1.1	0.0

**Consolidated statement of financial position
30 June 2011**

	Notes	Consolidated	
		30 June	30 June
		2011	2010
		\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	610	1,347
Trade and other receivables		13,282	19,581
Inventories		13,703	12,913
Other current assets		639	268
Income tax receivable		269	-
Derivative financial instruments		191	111
Total current assets		28,694	34,220
Non current assets			
Deferred tax asset		-	1,367
Property, plant and equipment		16,891	12,248
Other financial assets		270	313
Total non current assets		17,161	13,928
Total assets		45,855	48,148
LIABILITIES			
Current liabilities			
Trade and other payables		11,383	15,613
Interest bearing loans and borrowings		833	716
Income tax payable		-	690
Provisions		1,810	1,529
Derivative financial instruments		845	38
Total current liabilities		14,871	18,586
Non current liabilities			
Interest bearing loans and borrowings		14,978	17,398
Provisions		318	285
Deferred tax liabilities		382	-
Total non current liabilities		15,678	17,683
Total liabilities		30,549	36,269
NET ASSETS		15,306	11,879
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	5	65,539	65,539
Accumulated losses		(54,665)	(57,094)
Other reserves		1,255	102
Parent interests		12,129	8,547
Non-controlling interests		3,177	3,332
TOTAL EQUITY		15,306	11,879

Consolidated statement of cash flows
Year ended 30 June 2011

	Notes	Consolidated	
		Year ended 30 June 2011 \$'000	Year ended 30 June 2010 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		90,279	83,588
Payments to suppliers and employees (inclusive of GST)		(83,537)	(63,848)
Interest received		11	21
Borrowing costs		(2,330)	(3,492)
Income tax paid		(951)	(2,274)
Net cash inflow from operating activities	6(b)	3,472	13,995
Cash flows from investing activities			
Proceeds from sale of fixed assets		22	-
Payments for property, plant and equipment		(1,780)	(950)
Net cash outflow from investing activities		(1,758)	(950)
Cash flows from financing activities			
Repayment of borrowings		(2,303)	(18,128)
Proceeds from issue of ordinary shares		-	4,941
Payments for transaction costs		-	(22)
Dividends paid to non-controlling interests		(148)	(266)
Net cash outflow from financing activities		(2,451)	(13,482)
Net decrease in cash and cash equivalents		(737)	(437)
Cash and cash equivalents at the beginning of year		1,347	1,784
Cash and cash equivalents the end of year	6(a)	610	1,347

Consolidated statement of changes in equity
Year ended 30 June 2011

	<i>Attributable to equity holders of the Company</i>								
	Issued capital \$'000	Employee equity benefits reserve \$'000	Net gain/(loss) on cash flow hedges \$'000	Foreign currency translation reserve \$'000	Asset revaluation reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
At 30 June 2010	65,539	121	52	(71)	-	(57,094)	8,547	3,332	11,879
Profit/(Loss) for the period	-	-	-	-	-	2,429	2,429	556	2,985
Other comprehensive income	-	-	(329)	(1,496)	2,800	-	975	(563)	412
Total comprehensive income	-	-	(329)	(1,496)	2,800	2,429	3,404	(7)	3,397
Transactions with owners in their capacity as owners:									
Share based payments	-	178	-	-	-	-	178	-	178
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(148)	(148)
At 30 June 2011	65,539	299	(277)	(1,567)	2,800	(54,665)	12,129	3,177	15,306
At 30 June 2009	60,627	24	-	(777)	-	(57,123)	2,751	3,560	6,311
Profit/(Loss) for the period	-	-	-	-	-	29	29	388	417
Other comprehensive income	-	-	52	203	-	-	255	153	408
Redesignation of FCTR from non-controlling interests	-	-	-	503	-	-	503	(503)	-
Total comprehensive income	-	-	52	706	-	29	787	38	825
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	(29)	-	-	-	-	-	(29)	-	(29)
Share based payments	-	97	-	-	-	-	97	-	97
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(266)	(266)
At 30 June 2010	65,539	121	52	(71)	-	(57,094)	8,547	3,332	11,879

The above statement of changes in equity should be read in conjunction with the accompanying Notes

1. Summary of significant accounting policies**a. Basis of preparation**

This Appendix 4E preliminary final report (Appendix 4E) for the year ended 30 June 2011 has been prepared in accordance with the ASX Listing Rules.

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, land and buildings, and derivative financial instruments which have been measured at fair value.

The Appendix 4E 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 Appendix 4E 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 year ended 30 June 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Appendix 4E 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.

New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

- *AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2] effective 1 January 2010*
- *AASB 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] effective 1 January 2010*
- *AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project effective 1 July 2010*
- *AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues effective 1 February 2010*

Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the Company or the Consolidated Entity.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ended 30 June 2011.

Changes in accounting policy*Land and Buildings*

During the year the Group made a voluntary change to its accounting policy to measure land and buildings at fair value using the revaluation method in AASB 116 Property, Plant and Equipment. As a result in this change in policy the value of land and buildings has increased by \$4,000,000.

b. Statement of compliance

The financial information contained in the Appendix 4E complies with the recognition, measurement and classification requirements of Australian Accounting Standards.

c. Basis of consolidation

The 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 parent shareholders’ equity.

d. Significant accounting judgements, estimates and assumptions**Significant accounting judgements**

In applying the Group’s accounting policies, management have not made any significant accounting judgements which affect the amounts recognised in the financial statements.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities are:

Net realisable value of inventory

The Group undertakes a detailed review of its inventory by major product category to ensure its provisions reflect inventory at the lower of cost and net realisable value. This review takes into consideration management’s assessment of current and forecast market conditions, including drivers of the price of quenched and tempered steel.

Impairment of other non-financial assets

The Group reviews at each reporting date whether there is any indication that an asset may be impaired. If an indicator is present, the Group is required to estimate the assets recoverable amount, which is measured at the lower of its value-in-use and its fair value less costs to sell.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees (including directors and other senior executives) by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a discounted cash flow technique.

		Consolidated	
		Year Ended 30 June 2011 \$'000	Year Ended 30 June 2010 \$'000
2. Dividends:			
	Dividends paid		
	Interim 2011 - \$nil (Interim 2010 -\$nil)	-	-
	Final 2010 dividend - \$nil (2009: \$nil)	-	-
3. Revenues and expenses:			
	(a) Finance revenue		
	Bank interest receivable	11	21
	(b) Finance costs		
	Bank interest and borrowing costs	2,330	3,492
	(c) Depreciation, amortisation and costs of inventories sold included in income statement		
	Depreciation and amortisation	998	904
	Costs of inventories sold recognised as an expense	63,165	76,019
	(d) Lease payment included in income statement		
	Rental – operating leases	279	281
	(e) Employee benefits expense		
	Wages and salaries	9,379	8,107
	Superannuation costs	576	491
	Expense of share-based payments	178	97
		10,133	8,695

		Consolidated	
		30 June 2011 \$'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>		
	Balance as at 1 July 2009	188,223	60,627
	Issued during the year	28,233	4,912
	Balance as at 1 July 2010	216,456	65,539
	Issued during the year	-	-
	Balance as at 30 June 2011	216,456	65,539
5. Earnings per share:			
	Calculation of the following in accordance with AASB 133:		
	<i>For basic and diluted earnings per share:</i>		
	Net profit for the period	2,985	417
	Net profit attributable to non-controlling interests	556	388
	Net profit attributable to equity holders of the parent	2,429	29
		30 June 2011 Thousands	30 June 2010 Thousands
	Weighted average number of ordinary shares for basic earnings per share	216,456	212,927
	Effects of dilution:		
	Performance rights	689	1,572
	Adjusted weighted average number of ordinary shares for diluted earnings per share	217,145	214,499
	Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

	Consolidated	
	Year Ended 30 June 2011 \$'000	Year Ended 30 June 2010 \$'000
6. Cash and cash equivalents		
Cash at bank and in hand	610	1,347
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	610	1,347
	610	1,347
b. Reconciliation of net loss after income tax to net cash flows from operations		
Net profit after income tax	2,985	417
Non cash items		
Depreciation and amortisation	998	904
Share-based payments expense	178	97
Net profit on disposal of property, plant and equipment	(22)	-
Impairment and write-off of non-current assets	(44)	-
Net fair value change on derivatives	287	-
Change in operating assets and liabilities		
Decrease/(increase) in receivables & other assets	6,124	(8,927)
(Increase)/decrease in foreign currency translation	(1,937)	355
(Increase)/decrease in inventories	(746)	15,026
Increase in tax assets & liabilities	(281)	(1,928)
(Increase)/decrease in prepayments	(329)	379
(Decrease)/increase in trade creditors	(4,056)	7,426
Increase in provisions	315	246
Net cash from operating activities	3,472	13,995
c. Non-cash financing activities		
<i>Dividend reinvestment plan</i>		
No shares were issued under the dividend reinvestment plan during the financial years ended 30 June 2010 or 30 June 2011.		
7. Significant events		
There were no significant events during the 30 June 2011 financial year.		

8. Commitments and contingencies

There are no contingent assets or contingent liabilities as at the reporting date.

9. Subsequent events

On 11 July 2011 the Group announced the signing of a Cooperative Joint Venture (JV) agreement with Jinan Iron and Steel Co. Limited (Jinan) for the production, sale and distribution of quench and tempered (Q&T) steel plate into the People's Republic of China (PRC) and other international markets. Jinan is a subsidiary of the Shandong Iron and Steel Group Co. Limited, one of the top 10 steel producers in the PRC.

Under the terms of the JV, Bisalloy will contribute US\$1 million in capital and licence its Q&T intellectual property and brand name to the JV to produce Q&T plate at Jinan's production facility in Shandong Province, PRC.