

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Financial year ended 30 June 2013
Results for announcement to the market

		Absolute Change		FY13 \$'000	FY12 \$'000
Revenue	Down	23%	to	80,584	103,999
Profit before tax	Down	46%	to	5,434	10,007
Profit after tax	Down	44%	to	3,819	6,845
Profit attributable to members	Down	44%	to	3,483	6,260

Dividends	Amount per share	Franked amount per share
<u>Financial year ended 30 June 2013</u>		
Final dividend (fully franked)	4.0 cps	100%
Interim dividend	Nil	Nil
<u>Financial year ended 30 June 2012</u>		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	7 November 2013	

	FY13	FY12
Other		
Net tangible asset backing per share	52.7cps	43.2cps

Overview

1. Bisalloy Steel Group Ltd (“the Group”) delivered a FY13 Profit before tax of \$5.4m, representing 46% reduction on the prior year. Lower revenue resulted from a contraction in demand that intensified during the second half of the year, with the strong Australian dollar that prevailed over the majority of the year maintaining the competitive pressure. Input costs continue to be managed by sourcing a significant portion of steel plate from overseas suppliers to maximise benefits from global steel pricing.
2. The lower profit attributable to members for FY13 was driven by the reduced tonnes sold in the Australian operations, although a consistent market share was maintained.
3. Group net debt reduced to \$10.4 m at 30 June 2013, down from \$11.1m at 30 June 2012, supported by free cash flow. The Group’s finance facility is in place through to October 2015.
4. The Directors have re-introduced dividends with a final dividend for the FY13 year of 4.0cps, fully franked. The Dividend Reinvestment Plan will apply to the final dividend with a discount of 5% to the

weighted average market price of shares in the Company traded on the Australian Stock Exchange Ltd on the record date and the nine business days immediately after that date. If not already registered, the last date for receipt of an election notice for participation in the dividend reinvestment plan is 5.00pm on 7 November 2013.

5. The Group has a cooperative joint venture (CJV) agreement with Jinan Iron & Steel Co.,Ltd for the production and sale of quench & tempered steel into China and other international markets. A maiden dividend was declared by the CJV in FY13 of US\$900,000, with the Group's 50% share due to be received in August 2013. The CJV generated a total operating profit before tax of \$0.6m, which after local taxes resulted in a 50% contribution to the Group of \$0.2m for FY13.

Controlled entities acquired or disposed.

No material control over any entities was gained or disposed of during the financial year ended 30 June 2013.

Audit

This report is based on financial statements that have been audited and an unqualified opinion has been issued.



Robert Terpening
Managing Director

Sydney
21 August 2013



Financial Report

Bisalloy Steel Group Limited and its controlled entities for the year ended 30 June 2013

Contents

IFC	Directors' report
11	Corporate governance statement
16	Auditor's independence declaration
17	Consolidated statement of comprehensive income
18	Consolidated statement of financial position
19	Consolidated statement of cash flows
20	Consolidated statement of changes in equity
21	Notes to the financial statements
63	Directors' declaration
64	Independent auditor's report
66	ASX additional information
68	Corporate directory
68	Annual General Meeting

Directors Report

Your directors submit their report for the year ended 30 June 2013.

Directors

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.



Mr Phillip Cave AM,

B.Bus, FCPA
Chairman

Skills & Experience

Mr Cave is an experienced director, Chairman and Chief Executive Officer with a career in major corporate turnaround projects, structured finance and corporate advisory service. Over a 35 year career, Mr Cave's experience has combined a mixture of operational management expertise across a wide variety of industries with an in depth knowledge of finance and banking.

Term of office

A founding director of the Company and Chairman since appointed in November 2001. Last re-elected in November 2012.

Board Committees:

- Chairman of the Nominations & Remuneration Committee
- Audit & Risk Committee

Other directorships:

- Chairman Anchorage Capital Partners
- Chairman Dick Smith Electronics Pty Ltd
- Chairman Wesley Institute
- Chairman Ability First Australia
- Acrow Formwork & Scaffolding Pty Ltd
- Total Eden Pty Ltd.
- First Engineering Ltd



Mr Robert Terpening

Managing Director
and CEO

Skills & Experience

Mr Terpening was appointed Managing Director / CEO on 6th November 2008. Mr Terpening is an experienced manager of industrial businesses having had 18 years in Sales & Marketing and Operations roles followed by 17 years in General Management of manufacturing businesses. Mr Terpening's management experience has included operations across Australia, Indonesia, Thailand and New Zealand and he is also currently a Director of Bisalloy Steel Group's joint venture businesses – PT Bima Bisalloy, Bisalloy Thailand and Bisalloy Jigang (Shandong) Steel Plate Co., Limited.

Term of office

Appointed in November 2008. As the managing director he is not subject to re-election by rotation.

Board Committees

Nil

Other directorships

Nil



Mr Kym Godson

Dip Tech (Bus Admin), FAICD, FAIM
Non-executive Director

Skills & Experience

Mr Godson is an experienced public company director and has extensive experience in the management of industrial businesses, particularly within the steel industry. He is a former Managing Director and CEO of the Company having retired from the position in November 2008 subsequent to the sale of the distribution business.

Term of office

A founding director of the Company appointed in November 2001 and is retiring by rotation pursuant to the requirements of the Company's constitution in order to seek re-election at the 2013 AGM.

Board Committees

- Audit & Risk Committee
- Nominations & Remuneration Committee

Public company directorships during past three years:

- Tutt Bryant Group Limited, from 2005 to October 2010.

Other directorships

- Paula's Choice Pty Ltd
 - Total Eden Pty Ltd.
-



Mr Richard Grellman AM

FCA
Non-executive Director

Skills & Experience

Mr Grellman brings significant accounting and finance skills to the Company, having had over 32 years experience in the accounting profession. He was a partner at KPMG from 1982 to 2000 and a member of KPMG's National Board from 1995 to 1997 and National Executive from 1997 to 2000.

Term of office

Appointed in February 2003 and is retiring by rotation pursuant to the requirements of the Company's constitution in order to seek re-election at the 2013 AGM.

Board Committees

- Chairman of the Audit & Risk Committee
- Nominations & Remuneration Committee

Public company directorships during past three years

- Chairman, WHK Ltd from March 2011.
- Chairman, Genworth Mortgage Insurance Ltd from March 2012.
- AMP Limited, from 2000 to May 2011.
- Centennial Coal Limited, from 2008 to September 2010.

Other directorships:

- Chairman, Bible Society Australia.
 - Chairman, AMP Foundation
-



Mr Graeme Pettigrew

FIPA, FAIM, FAICD
Non-executive Director

Skills & Experience

Mr Pettigrew is an experienced company director. A former Chief Executive Officer of CSR Building Products Pty Ltd, he has extensive experience in manufacturing, supply and distribution in the building products industry both in Australia and Asia.

Previously he was the Managing Director of Chubb Australia Limited and Wormald Security Australia Pty Limited and involved in the manufacturing, contracting and service industries.

Term of office

Appointed on 24 April 2006. Last re-elected in November 2011.

Board Committees

- Audit & Risk Committee
- Nominations & Remuneration Committee

Public company directorships during past three years

- Adelaide Brighton Ltd, since Aug 2004
- Capral Ltd, since June 2010

Other directorships

- Holocentric Pty Ltd
-

Directors Report

Company Secretary**Mr David MacLaughlin**

MBA, CMA, ACA

Skills & Experience

Mr MacLaughlin, who holds a Master of Business Administration and is a Chartered Accountant, has over 20 years professional experience gained both domestically and internationally, working in senior financial positions for multinationals as well as Australian listed companies. He also holds the executive position of Chief Financial Officer.

Term of office

Appointed in March 2010.

Interests in shares of the company and related bodies corporate

As at the date of this report, the interests of the directors in the shares of Bisalloy Steel Group Limited were:

	Number of Ordinary Shares
P J Cave	7,264,360
R Terpening	525,969
K Godson	1,344,766
R Grellman	41,693
G Pettigrew	12,125

Dividends

	Cents	\$'000
Final dividend recommended on ordinary shares (fully franked)	4.00	1,732
Dividends paid in the year	0.00	Nil
Final for 2012 as recommended in the 2012 financial report	0.00	Nil

Principal activities

The principal activity of the Group during the financial year was the processing and sale of quenched and tempered (Q&T) high-tensile, and abrasion resistant steel plates.

Operating and Financial Review

Overview

GROUP

Bisalloy Steel Group comprises Bisalloy Steels Pty Ltd in Australia, the majority owned distribution businesses in Indonesia (PT Bima Bisalloy) and Thailand (Bisalloy Thailand) and the investment in the Chinese CJV – Bisalloy Jigang (Shandong) Steel Plate Co, Ltd.

The Group has seen deteriorating market conditions over the course of the year which has resulted in a reduction in revenue and net profit after tax from the previous financial year. A slow-down in Chinese manufacturing activity along with increased uncertainty driven by volatility in prices for resources, has led to a significant reduction in spending on capital projects and a tighter focus on cost management by the major resource companies. The significant expansion in resources output over recent years will however provide on-going demand for the quality Q&T and comprehensive technical support which is provided by all the Group operations.

The Group has maintained its objective of reducing debt to a more appropriate level. The rapid reduction in sales during the second half of the year has not yet been fully reflected in reduced inventory levels, however working capital continues to be closely managed and net debt at 30 June 2013 has reduced to \$10.4m (30 June 2012 – \$11.1m) in a difficult trading environment.

Safety is a key commitment of the Group with a continued focus on zero harm to all employees, contractors and visitors. All employees across the Groups operations are empowered under the STAR program to Stop, Think, Act and Respond to any issue in regard to ensuring safe working conditions. After a record 766 days Lost Time Injury free achieved through employees and management working closely together, an employee in the Australian operations suffered a relatively minor injury resulting in lost time. While we are pleased that the employee was able to return to work the next day with no impairment of any kind, it highlights the need for continued vigilance and on-going monitoring of all safety processes.

BISALLOY STEELS AUSTRALIA

Bisalloy Steels is Australia's only processor of quenched and tempered high-tensile, abrasion resistant and armour grade alloyed steel plates. 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 and a fall in prices for Australia's major commodities, specifically iron ore and coal, has provided significant challenges to the Australian steel industry. While performance during the first quarter of the year was in line with expectations, the increasing volatility in the resources industry saw market conditions deteriorate as the year progressed. There have been widely publicised deferrals or cancellations of a number of planned resource projects leading to a rapid decline in demand for Q&T steel for capital projects, while demand for Q&T steel in repairs and maintenance is only slowly starting to increase as the newly completed resource projects move into production phase. Supported by the strong Australian dollar, overseas steel producers have sought markets for their surplus production capacity during a period when their own domestic demand remained subdued, and this competition has intensified as they are now faced with rapidly declining demand in the Australian domestic market leaving them with surplus inventory. The stronger dollar over the course of the year continued to limit opportunities to expand export sales however the outlook for this market

has improved with the change in the dollar's value during the latter period. International armour markets have remained subdued with lower demand and surplus capacity throughout the year. The high Australian dollar started to ease in the final weeks of the year, and while this has yet to provide any significant improvement in the Australian domestic market, Bisalloy is well positioned to take advantage of any upswing in the Australian market.

BISALLOY ASIA

The distribution businesses in Indonesia and Thailand remained profitable during the year, albeit on lower revenue, and continue to maintain key market positions in their respective countries, distributing both Bisalloy Q&T plate ("Bisplate") and associated wear related products. PT Bima Bisalloy in Indonesia operates across the resources, agriculture, cement and power industries and is progressively diversifying its customer base away from predominantly OEM businesses which have traditionally focused on supplying the resource sector. These Indonesian customers have not been immune from the same volatility and market uncertainty as seen in Australia. Bisalloy Thailand continues to have a greater reliance on original equipment manufacturers for export, but significant growth in this market is limited by the continuing weakness in European economies.

BISALLOY JIGANG CJV

China is undergoing significant structural change at a time of economic instability in its key export markets and a declining domestic manufacturing index. These factors have combined to extend the time needed for the CJV to establish itself as a premium Q&T supplier in the Chinese market. In recent months, significant work has been undertaken to build an appropriate marketing structure for the CJV with additional resources currently being implemented. These marketing initiatives will position the CJV to accelerate development of its market share in the substantial Chinese Q&T market and allow the already profitable CJV to significantly benefit from any upturn in this specialised steel sector. It is expected that these resources will enable an increased contribution to the Group result in the FY14 year.

Directors Report

Operating Result for the Year

The Group's net profit for the year after income tax was \$3,819,000 (2012: \$6,845,000). The result reflects the lower sales performance in the core Australian domestic market arising from declining demand and challenges from the high Australian dollar which reduced domestic selling prices and constrained export sales.

Operating results are summarised as follows:

	2013	
	Revenue \$000s	Results \$000s
Operating Segments		
Australia	73,109	2,753
Overseas	14,155	1,359
	87,264	4,112
Consolidated entity adjustments	(6,680)	(293)
Consolidated entity revenue and profit for the year	80,584	3,819

SHAREHOLDER RETURNS

The return to shareholders reflect the difficult market conditions during FY13, although the overall returns remained positive and have allowed the Board to re-introduce dividends for the year ended 30 June 2013.

	2013	2012	2011	2010
Basic earnings per share (cents)	8.0c	14.5c	5.5c	0.0c
Net profit attributable to members (\$'000)	3,483	6,260	2,429	29
Return on equity (reported PAT/equity) (%)	16.0%	36.9%	22.0%	4.6%
Gearing (net debt / net debt + equity) (%)	29%	34%	51%	60%
Dividends paid (cents)	4.0c	0.0c	0.0c	0.0c
Dividend franking	100%	-	-	-

Review of financial condition

LIQUIDITY AND CAPITAL RESOURCES

The consolidated statement of cash flows illustrates a decrease in cash and cash equivalents for the year ended 30 June 2013 of \$572,000 (2012: increase of \$642,000).

Operating activities generated \$2,335,000 of net cash inflows (2012: \$6,685,000) including operating profits and working capital management required to manage the demands arising from rapidly slowing activity levels during the second half of the year.

Investing activities required \$1,132,000 (2012: \$1,617,000) of net cash outflows for investment in operating plant and equipment.

The net cash inflows from operating and investing activities, were used to reduce net debt. As a result, net cash outflows from financing activities were \$1,775,000 (2012: \$3,959,000).

FUNDING

Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited entered into a renewed facility agreement with GE Commercial Australasia Pty Limited on 18 June 2012.

The facility provides Bisalloy Steel Group Limited with a:

- \$14m revolving loan facility; and
- \$11m term loan facility.

The facility has a maturity date of 31 October 2015.

Risk management

The Group takes a proactive approach to risk management. The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The board has established an Audit and Risk Committee comprising non-executive directors, whose meetings are also attended by the executive directors. In addition sub-committees are convened as appropriate in response to issues and risks identified by the board, and the sub-committee further examines the issue and reports back to the board.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- Establishment of committees to report on specific business risks, including for example, such matters as environmental issues and concerns and occupational health and safety.
- Board review of financial risks such as the Group's liquidity, currency, interest rate and credit policies and exposures and monitors management's actions to ensure they are in line with Group policy.

Significant changes in the state of affairs

Total equity increased to \$25,873,000 from \$21,809,000, an increase of \$4,064,000 mainly driven by net profit, and supported by foreign currency translation gains of \$873,000 relating to the overseas subsidiaries as a result of the revaluation of the Australian dollar at the end of the year.

Significant events after the balance date

The Group is to receive its 50% share of the maiden dividend of US\$900,000 from the Chinese CJU in August 2013.

Likely developments

The Group operates within the steel sector, with its marketing mix strongly leveraged to the resource sector. The Group expects the sectors into which it supplies quench and tempered steel plate will remain subdued during the first half of the financial year, although there are expectations of an improving outlook as the rate of repairs and maintenance increases from the newly developed resource projects. A lower Australian dollar than that which prevailed over most of the year ended 30 June 2013 will lower the attractiveness of the domestic quench and tempered steel market to overseas producers and improve the Groups export ability. The Directors believe the current strategy of building market share through well executed sales and marketing initiatives and leveraging competitive multi-sourcing options for its steel plate inputs will continue to have a positive effect on trading results.

Indemnification and insurance of directors and officers

The Group must, subject to certain exceptions set out in the constitution, indemnify each of its officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the officer, as an officer of the Group (including all liabilities incurred where the officer acts as an officer of any other body corporate at the request of the Group) including any liability for negligence and for reasonable legal costs.

During the year or since the end of the year, the Group has paid premiums in respect of a directors and officers liability insurance policy. Details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy have not been disclosed, as such disclosure is prohibited under the terms of the contract.

Auditor Rotation

In accordance with section 324DAA Corporations Act 2001 and the recommendation of the Audit

Committee, the lead auditor's rotation period as auditor has been extended for 2 years to 30 June 2015, subject to an annual performance assessment by the Chair of the Audit Committee.

The board is satisfied that the extension will maintain the quality of the audit and will not give rise to any conflicts of interest for the reasons set out below:

1. The Audit was tendered in 2010 and the board has the option to reassess the auditor appointment at any time.
2. A new independent partner was appointed in 2012. Extending the time period of the Lead Partner allows the preservation of knowledge on the engagement.
3. The existing independence and service metrics in place are sufficient to ensure that auditor independence would not be diminished by such an extension.

Environmental regulation

The Group's activities are governed by a range of environmental legislation and regulations. The Group utilises both internal and external environmental assessments to verify its compliance with applicable environmental legislation and regulations.

The Group is registered under National Greenhouse and Energy Reporting Act 2007 under which it is required to report energy consumption and greenhouse gas emissions for its Australian facilities. The Group has implemented systems and processes for the collection and calculation of the data to meet its reporting requirements.

The Group's Australian operations do not meet the carbon emission levels established in the Australian Federal Government's Carbon Pollution Reduction Scheme which became effective from 1 July 2012.

The board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the Class Order applies.

Auditor independence

The directors received the declaration on page 16 from the auditor of Bisalloy Steel Group Limited which forms part of this report.

Non-audit services

No non audit services were provided by the Company's auditor, Ernst & Young in relation to the year ending 30 June 2012.

DIRECTORS' MEETINGS

The number of directors meetings and number of meetings attended by each of the directors of the Company during the financial year are:

	Directors' Meetings	Committee Meetings	
		Audit & Risk	Nominations & Remunerations
Number of Meetings Held	8	3	1
Number of Meetings Attended			
P J Cave	8	3	1
R Terpening	8	–	–
K Godson	8	3	1
R Grellman	8	3	1
G Pettigrew	8	3	1

Directors Report

Remuneration report (audited)

This remuneration report for the year ended 30 June 2013 outlines the remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 (the Act) and its regulations. This information has been audited as required by section 308(3C) of the Act

The remuneration report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group receiving the highest remuneration.

REMUNERATION POLICY

The remuneration policy is set in recognition that the performance of the Group depends upon the quality of its directors and executives. In order to perform, the Group must be successful in attracting, motivating and retaining directors and executives of the highest quality.

To assist in achieving this objective, the remuneration policy embodies the following principles:

1. Provide competitive remuneration to attract high calibre directors and executives.
2. Align executive rewards with creation of shareholder value.
3. Ensure a significant component of executive remuneration is 'at risk' dependant upon meeting pre-determined performance hurdles.
4. Establish appropriately demanding performance hurdles in relation to variable executive remuneration.
5. Provide the opportunity for non-executive directors to sacrifice a portion of their fees to acquire shares in the Company at market price.

NOMINATIONS AND REMUNERATION COMMITTEE

The Nominations and Remuneration Committee is responsible for determining and reviewing compensation arrangements for the

directors, the Managing Director and other senior executives, and the review and recommendation of general remuneration principles.

REMUNERATION STRUCTURE

The structure of non-executive director and executive remuneration is separate and distinct, in accordance with good corporate governance principles.

NON-EXECUTIVE DIRECTOR REMUNERATION

Objective

The Board sets aggregate remuneration at a level which is intended to provide the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Company's constitution and the ASX listing rules specify that the non-executive director fee pool shall be determined from time to time by a general meeting. The non-executive director fee pool is currently set at \$500,000. The board will not seek any increase for the fee pool at the 2013 AGM.

The remuneration of non-executive directors must not include a commission on, or a percentage of, profits or operating revenue but directors are entitled to be reimbursed for travelling and other expenses incurred in attending to the Company's affairs.

Each director receives a fee for being a director of the Company and an additional fee for each Board Committee on which a director sits. The payment of additional fees for serving on a committee recognises the additional time commitment required by directors who serve on one or more sub committees.

Non-executive directors are encouraged by the Board to hold shares in the Company and are able to participate in the Non-executive Director ("NED") Share Plan. Under the NED Share Plan a non-executive director can choose to sacrifice up to 100% of their annual director's fee and instead be allocated shares up to the equivalent value. The value of the allocated shares is determined by reference to the market value on the day they are acquired on market.

The remuneration of non-executive directors for the period ended 30 June 2013 is detailed in the table on page 8 of this report.

EXECUTIVE DIRECTOR AND EXECUTIVE MANAGER REMUNERATION

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their duties and responsibilities within the Group and to:

- reward executives for Group, business unit and individual performance measured against targets set by reference to appropriate benchmarks;
- link reward with the achievement of the Group's strategic goals;
- align the interests of executives with those of shareholders; and
- ensure total remuneration is competitive.

Structure

Executive director and executive manager remuneration consists of the following key components:

1. Fixed Remuneration
2. Variable Remuneration made up of:
 - Short Term Incentive (STI); and
 - Long Term Incentive (LTI)

The proportion of total remuneration that is fixed or variable (either short term or long term incentives) is determined for each individual executive by the Nominations & Remuneration Committee.

The remuneration of executives and the five most highly remunerated senior managers for the period ending 30 June 2013 is detailed in the table on page 8 of this report.

FIXED REMUNERATION

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is both commensurate with the individual's duties and responsibilities within the Group and competitive in the market.

Fixed remuneration is reviewed annually by the Nominations and Remuneration Committee utilising a process of reviewing group-wide, business unit and individual performance, relevant

comparative remuneration in the market and internal and external advice on policies and practice.

Structure

Executive directors and senior managers are provided with the opportunity to receive their fixed remuneration in a variety of forms, including cash, additional superannuation contributions and fringe benefits such as motor vehicles. The aim is to provide payments in a form that is both optimal for the recipient and cost efficient for the Group.

The fixed remuneration component of executive directors and the five most highly remunerated senior managers for the period ending 30 June 2013 is detailed in the table on page 8 of this report.

VARIABLE REMUNERATION – SHORT TERM INCENTIVES (STI)

Objective

The STI program has been designed to align the remuneration received by executives and senior managers with the achievement of the Group's operational and financial targets. The total potential STI available for payment is determined so as to provide sufficient incentive to executives and senior managers to achieve the targets and so that the cost to the Group is reasonable in the circumstances.

Structure

The actual STI payments granted to each executive and senior manager depends upon the extent to which specific operational and financial targets set at the beginning of the financial year are met. The targets consist of a number of both financial and non-financial Key Performance Indicators (KPIs).

After the end of each financial year, consideration is given to performance against each of these KPIs to determine the extent of any payment to an individual executive and senior manager. The aggregate of STI payments and STI payments to individuals is subject to the approval of the Nominations & Remuneration Committee.

Payments made are normally paid as cash but the recipient is also able to elect to receive payment in alternative forms.

VARIABLE REMUNERATION – LONG TERM INCENTIVES (LTI)

Objective

The LTI program has been designed to align the remuneration received by executive directors and senior managers with the creation of shareholder wealth.

Consequently LTI grants are only made to executives who are in a position to influence shareholder wealth and thus have the opportunity to influence the company's performance against the relevant long term performance hurdles.

Structure

At the 2012 Annual General Meeting, a LTI plan was renewed for LTI grants to executives in the form of share rights.

These rights are granted in two equal parts. The first part is based on retention and requires the holder remain an employee for three years from grant date. The second part is based on delivering superior long-term performance as measured by Return on Equity ("ROE"), with each grant of rights divided into three equal tranches. For each tranche, actual ROE is measured against a budget ROE and a stretch ROE as determined annually by the board in respect of the forthcoming year. The proportion of the rights which vest depend on where within this range the Group performs, with 100% vesting on achieving the stretch ROE and no rights vesting if actual ROE is less than 90% of the budgeted ROE. For the 2013 year, the stretch ROE was set at the budget ROE. Any rights to which the employee may become entitled on achieving the performance criteria, are still subject to the three year retention criteria before they can vest.

Any share rights which do not vest, as a result of the relevant performance condition not being satisfied, lapse. If the holder leaves the business, the unvested rights lapse on the leaving date unless the board determines otherwise. In the event of a change in control of the Group, the vesting date will generally be brought forward to the date of change of control and share rights will vest subject to performance over this shortened period, subject to ultimate board discretion.

Once vested a holder may exercise his share rights and be allocated a fully paid ordinary share of Bisalloy Steel Group Ltd at no cost to the employee.

During the year 500,000 share rights were granted under this scheme.

GROUP PERFORMANCE

The board have determined that the Group did not meet its budgeted ROE for the year and so the performance components of the 2013 share rights have not vested.

For further detail of historical performance, refer to the shareholder returns section earlier in this Directors' report.

DETAILS OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND GROUP

(i) Directors

P J Cave	Non-executive Chairman
R Grellman	Non-executive Director
G Pettigrew	Non-executive Director
K Godson	Non-executive Director
R Terpening	Managing Director

(ii) Executives

D MacLaughlin	Chief Financial Officer and Company Secretary
M Sampson	Sales & Marketing Manager
M Bradmore	Operations Manager
T Matinca	Business Development & Strategy Manager

EXECUTIVE CONTRACTS

Remuneration arrangements for the key management personnel are formalised in employment contracts. Details of these contracts are provided below.

R Terpening – Managing Director

- Regular employment contract without fixed term.
- Participation in STI and LTI schemes.
- 6 months notice required for termination of employment by employee
- 12 months notice required for termination by company.

Directors Report

D MacLaughlin – Chief Financial Officer and Company Secretary

- Regular employment contract without fixed term.
- Participation in STI and LTI schemes.
- 3 months notice required for termination of employment.

M Sampson – Sales & Marketing manager

- Regular employment contract without fixed term.
- Participation in STI and LTI schemes.
- 1 months notice required for termination of employment

M Bradmore – Operations manager

- Regular employment contract without fixed term.
- Participation in STI and LTI schemes.
- 3 months notice required for termination of employment.

T Matinca – Business Development & Strategy Manager

- Regular employment contract without fixed term.
- Participation in STI and LTI schemes.
- 3 months notice required for termination of employment.

REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND GROUP

Year ended 30 June 2013	Short-term			Post employment		Share-based payments	Total	Performance Related %
	Salary and fees \$	Cash bonus \$	Long service leave \$	Super-annuation \$	Retirement benefits \$	Share Rights \$		
Non-Executive Directors								
P J Cave	120,000	–	–	–	–	–	120,000	–
R Grellman	80,000	–	–	7,200	–	–	87,200	–
G Pettigrew	80,000	–	–	7,200	–	–	87,200	–
K Godson	80,000	–	–	7,200	–	–	87,200	–
Sub-total Non-Executive Directors	360,000	–	–	21,600	–	–	381,600	–
Executive Directors								
R Terpening	475,000	–	28,346	25,000	–	152,691	681,037	22%
Other key management personnel								
D MacLaughlin	242,989	–	5,726	25,000	–	13,048	286,763	5%
M Sampson	156,495	–	5,123	23,424	–	14,362	199,404	7%
M Bradmore	180,545	–	6,628	14,366	–	14,362	215,901	7%
T Matinca	242,675	–	8,199	21,841	–	14,362	287,077	5%
Sub-total executive KMP	1,297,704	–	54,022	109,631	–	208,825	1,670,182	13%
Totals	1,657,704	–	54,022	131,231	–	208,825	2,051,782	10%

The KMP did not receive any of the 2013 STI (2012: 100%) to which they could be entitled as the Group financial key performance indicators were not met.

REMUNERATION OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND GROUP

Year ended 30 June 2012	Short-term		Long service leave \$	Post employment		Share-based payments	Total \$	Performance Related %
	Salary and fees \$	Cash bonus \$		Super- annuation \$	Retirement benefits \$	Share Rights \$		
Non-Executive Directors								
P J Cave	120,000	-	-	-	-	-	120,000	-
R Grellman	80,000	-	-	7,200	-	-	87,200	-
G Pettigrew	80,000	-	-	7,200	-	-	87,200	-
K Godson	70,000	-	-	6,300	-	-	76,300	-
Sub-total Non-Executive Directors	350,000	-	-	20,700	-	-	370,700	-
Executive Directors								
R Terpening	425,000	337,500	25,868	50,000	-	112,705	951,073	47%
Other key management personnel								
D MacLaughlin	205,873	102,335	8,594	49,964	-	55,627	422,393	37%
M Sampson	122,866	39,972	5,455	49,305	-	19,149	236,747	25%
M Bradmore	172,605	43,151	3,154	13,735	-	19,149	251,794	25%
T Matinca	205,094	63,281	4,658	48,031	-	19,149	340,213	24%
Sub-total executive KMP	1,131,438	586,239	47,729	211,035	-	225,779	2,202,220	37%
Totals	1,481,438	586,239	47,729	231,735	-	225,779	2,572,920	32%

Directors Report

SHARE RIGHTS

Share rights holders do not have any entitlement, by virtue of the rights, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

PERFORMANCE RIGHTS HOLDINGS OF KEY MANAGEMENT PERSONNEL OF THE COMPANY AND GROUP

	Balance at 1 July 2012	Granted during the year	Rights exercised during the year	Forfeited or Lapsed	Balance at 30 June 2013	Vested and exercisable	Unvested
Executives							
R Terpening	400,189	500,000	-400,189	-83,333	416,667	-	416,667
D MacLaughlin	166,667	-	-	-33,333	133,334	-133,334	-
M Sampson	100,000	-	-	-16,667	83,333	-	83,333
M Bradmore	100,000	-	-	-16,667	83,333	-	83,333
T Matinca	100,000	-	-	-16,667	83,333	-	83,333
	866,856	500,000	-400,189	-166,667	800,000	-133,334	666,666

	R Terpening	R Terpening	D MacLaughlin	M Sampson	M Bradmore	T Matinca	Total
Grant date	4-Jan-10	4-Jan-13	22-Mar-10	1-Jul-11	1-Jul-11	1-Jul-11	
Vesting date	4-Jan-13	4-Jan-16	30-Jun-13	30-Jun-14	30-Jun-14	30-Jun-14	
Fair value at grant date	\$0.90	\$1.19	\$1.00	\$0.58	\$0.58	\$0.58	
Balance at 1 July 2012	400,189	-	166,667	100,000	100,000	100,000	866,856
New grants in the year	-	500,000	-	-	-	-	500,000
Exercised in the year	-400,189	-	-	-	-	-	-400,189
Lapsed during the year	-	-83,333	-33,333	-16,667	-16,667	-16,667	-166,667
Balance at 30 June 2013	-	416,667	133,334	83,333	83,333	83,333	800,000
Vested at 30 June 2013	-	-	133,334	-	-	-	133,334

The budget Return on Equity as set by the Board for the 2013 financial year was not achieved and so none of the performance portion of the LTI vested for 2013. Final vesting of the share rights are subject to each Executive remaining employed by the Group until the vesting date.

AUDIT

The information contained in the Remuneration Report has been audited.

Signed in accordance with a resolution of the directors.

The directors have received the Auditors independence declaration which is included on page [xx] of the annual report.



Robert Terpening
Managing Director

21 August 2013

Corporate Governance Statement 2013

The board of directors of Bisalloy Steel Group Limited is responsible for establishing the corporate governance framework of the Group having regard to the ASX Corporate Governance Council (CGC) published guidelines as well as its corporate governance principles and recommendations. The board guides and monitors the business and affairs of Bisalloy on behalf of the shareholders by whom they are elected and to whom they are accountable.

The tables below summarise the Group's compliance with the CGC's recommendations.

The Company's website from which the documents referred to can be accessed is at www.bisalloy.com.au

Recommendation	Comply Yes/No	Reference/Explanation
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT		
1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	Yes	The board has a formal Corporate Governance Code which sets out the respective roles and responsibilities of the board and management. In addition, the board committees have specific Charters which provide further details on the matters reserved for the board or its committees.
1.2 Companies should disclose the process for evaluating the performance of senior executives.	Yes	A formal structured review is undertaken each year for each employee. Senior executives are reviewed by the CEO and input provided by the Chair. This process generally takes place in May each year as was the case in 2013.
1.3 Additional information.		The Corporate Governance Code and other relevant charters are available on the Company's website.
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE		
2.1 A majority of the board should be independent directors.	Yes	The board currently has five directors, three of whom are considered independent. The board has adopted the CGC's guidelines as the basis for determining whether a director can be considered independent and has set relevant thresholds for materiality. Whether or not a director meets the CGC guidelines for independence, each director is expected to exercise unfettered and independent judgement. The following directors are considered independent: <ul style="list-style-type: none"> • Mr Grellman • Mr Pettigrew • Mr Godson
2.2 The chair should be an independent director.	No	The board believes that while the Chairman is not independent, the current composition of the board with its combined skills and capability, best serves the interests of the shareholders.
2.3 The roles of chair and chief executive officer should not be exercised by the same individual.	Yes	The roles of chair and chief executive officer are not exercised by the same individual.
2.4 The board should establish a nomination committee.	Yes	The Company has a combined Remuneration & Nominations Committee. The charter can be reviewed on the Company's website.

Corporate Governance Statement 2013

Recommendation	Comply Yes/No	Reference/Explanation
PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE (CONTINUED)		
2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Yes	<p>The Chair monitors the performance of the board and conducts informal meetings with the other directors during the year. The board undertakes a formal review every 12 to 18 months. The review includes:</p> <ul style="list-style-type: none"> • examination of the effectiveness and composition of the board, including the required mix of skills, experience and other qualities which the non-executive directors should bring to the board for it to function competently and efficiently; • review of Bisalloy's strategic direction and objectives; • assessment of the Managing Director's performance by the non-executive directors; • assessment of whether corporate governance practices are appropriate and reflect "good practice"; and • assessment of whether the expectations of differing stakeholders have been met. <p>As part of this process the Chairman also:</p> <ul style="list-style-type: none"> • meets with the senior executives to discuss with them their views of the board's performance and level of involvement; • discusses each individual director's contributions face-to-face as appropriate; and • meets with the other non-executive directors without any management present (this is in addition to the consideration of the Managing Director's performance and remuneration which is conducted in the absence of the Managing Director).
2.6 Additional information		<p>Details of the composition, skills, experience, term in office, attendance at meetings of the members of the board at the date of this statement are set out in the Directors' Report on page 1.</p>
PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING		
3.1 Companies should establish a code of conduct and disclose the code or a summary of the code as to:	Yes	<p>The Group has an established Code of Conduct which applies to all employees, officers and directors of the Group. An annual adherence declaration is required of each employee as part of their performance appraisal discussed at Principle 1.2.</p> <p>The Code of Conduct has four key principles as follows:</p> <ol style="list-style-type: none"> 1. <i>We respect each other and treat all people fairly</i> 2. <i>We respect the law and act accordingly</i> 3. <i>We act honestly and fairly in all our business activities and relationships</i> 4. <i>We use Bisalloy's property responsibly and in the best interests of Bisalloy:</i> <p>The Group also has a number of other policies and standards which underpin the Code of Conduct including policies on Appropriate Workplace Behaviour, Equal Employment Opportunity, Safety, Fitness for Work, Workplace Harassment and Discrimination. Together these form a framework for ethical and responsible decision making and proscribe how the individuals of the Group behave internally and externally.</p> <p>In addition, the board has an established Corporate Governance Code as discussed under Recommendation 1.</p>

Recommendation	Comply Yes/No	Reference/Explanation
----------------	------------------	-----------------------

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING (CONTINUED)

3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.	No	The Company has an Equal Employment Opportunity Policy under which it commits to ensuring applicants for employment are drawn from a full cross section of the community and that the merit principle forms the basis of recruitment and promotion. In light of the total number of employees and low turnover levels in all management levels of the Group, the board believes that little effective benefit would be achieved from the setting of measurable objectives for achieving gender diversity and that the interests of the Group are best served in this case by rigorous application of the merit principle in all recruitment and promotion decisions.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress toward achieving them.	No	Measurable objectives for achieving gender diversity are not set by the board as discussed under Principle 3.2.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	Yes	16% of employees across the organisation are women and there are no women in senior executive positions or on the board.
3.5	Additional information		The Equal Employment Opportunity Policy is available on the Company website.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

4.1	The board should establish an audit committee.	Yes	The Company has an Audit & Risk Committee.
4.2	<p>The audit committee should be structured so that it:</p> <ul style="list-style-type: none"> • consists only of non-executive directors • consists of a majority of independent directors • is chaired by an independent chair, who is not chair of the board • has at least three members 	Yes	<p>At the date of this report and throughout the reporting period the Company's Audit and Risk Committee was:</p> <ul style="list-style-type: none"> • comprised of non-executive directors being Mr Grellman, Mr Cave, Mr Pettigrew and Mr Godson. • chaired by Mr Grellman • governed by a Charter approved by the Board • sufficiently autonomous to be able to discharge its duties and responsibilities including the authority to select, retain and terminate external advisers as the Committee considers necessary without seeking approval of the board or management.
4.3	The audit committee should have a formal charter.	Yes	The Audit & Risk Committee is governed by a formal Charter and is responsible for ensuring that an effective internal control framework exists within the Group. This includes internal controls for effective reporting of financial information, the appropriate application and amendment of accounting policies and the identification and management of risk.
4.4	Additional information.		<p>Full details in relation to names, skills, term of office and attendance at meetings for each member of the Committee are set out in the Directors' Report on page 1.</p> <p>The Audit & Risk Committee Charter is available on the Company's website.</p>

Corporate Governance Statement 2013

Recommendation	Comply Yes/No	Reference/Explanation
PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE		
5.1 Establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	Yes	<p>The Group has a formal Continuous Disclosure Policy. The policy aims to ensure that once management becomes aware of any information concerning the Group that a reasonable person would expect to have a material effect on the price or value of the Company's shares (subject to the relevant exceptions), that such information is released to the market.</p> <p>The board is committed to ensuring all investors have equal and timely access to material information concerning the Group and that the Group's announcements are factual and presented in a clear and balanced way.</p> <p>The Company Secretary is the person responsible for continuous disclosure and communicating with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements under the ASX Listing Rules and overseeing and co-ordinating information disclosed to the ASX, market participants and the public.</p>
5.2 Additional information		The Company's Continuous Disclosure Policy is available on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

6.1 Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	Yes	<p>In order to facilitate shareholders accessing information about the Group, all Group announcements, briefings, presentations and reports are posted on the Company's website after release. The website includes additional news items about the activities of the Group which are not market sensitive.</p> <p>Shareholders are entitled to receive a copy of the Annual Report and can elect the method by which it is delivered. The Group encourages shareholders to elect to receive the Annual Report and other correspondence from the Company electronically and requires shareholders to 'opt in' if they wish to receive a hard copy of the report.</p> <p>Shareholders are encouraged to attend for the Annual General Meeting as full use is made of the occasion to inform shareholders of current developments through presentations and the opportunity to ask questions of management and the Group's external auditors</p>
--	-----	--

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

7.1 Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Yes	<p>The board has allocated responsibility to the Audit & Risk Committee to ensure there are adequate policies, procedures and control systems in relation to risk management and compliance.</p> <p>The Committee reviews and approves policies pertaining to material business risks to ensure they are current and adequately address the necessary aspects of risk management.</p>
---	-----	---

Recommendation	Comply Yes/No	Reference/Explanation
7.2 The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Yes	<p>The Company has developed and implemented a risk management process to ensure that there are up-to-date risk management policies and procedures which reflect the board's appetite for risk and which are consistently applied across the Group. Conformance with policies and procedures is the responsibility of management and compliance reviewed on a periodic basis.</p> <p>The Company has an Audit & Risk Committee which meets regularly during the year. At the meetings the Committee receives explanations from management on any breakdowns in internal controls identified and the actions proposed to resolve them. Items remain open and are reviewed at following committee meetings until resolved to the Committee's satisfaction.</p>
7.3 The board should disclose whether it has received assurance from the chief executive officer and the chief financial officer that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Yes	<p>In accordance with section 295A of the Corporations Act, the CEO and CFO have provided a written statement to the board that:</p> <ul style="list-style-type: none"> • their view provided on the Group's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the board. • the Group's risk management and internal compliance and control system is operating effectively in all material respects.
7.4 Additional information.		<p>The risk management process, discussed at Principle 7.3, includes a wide range of proprietary policies and procedures which have been developed specifically for the Company and its business. The Company believes it would be unreasonably prejudicial to its interests and inappropriate to disclose this information publicly.</p>

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

8.1 The board should establish a remuneration committee.	Yes	The Company has a Nominations and Remuneration Committee which meets as required each year.
8.2 The remuneration committee should be structured so that it: <ul style="list-style-type: none"> • Consists of a majority of independent directors • Is chaired by an independent chair • Has at least three members 	Yes	<p>At the date of this report and throughout the reporting period the Company's Remuneration Committee was:</p> <ul style="list-style-type: none"> • comprised of non-executive directors being Mr Pettigrew, Mr Cave, Mr Grellman and Mr Godson. • chaired by Mr Cave, with three independent directors. • governed by a Charter approved by the Board • sufficiently autonomous to be able to discharge its duties and responsibilities including the authority to select, retain and terminate external advisers as the Committee considers necessary without seeking approval of the board or management.
8.3 Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	Yes	Full details of the Company's remuneration policy are set out in the Remuneration Report on page 6.
8.4 Additional information		<p>Full details in relation to names, skills, term of office and attendance at meetings for each member of the Committee are set out in the Directors' Report on page 1.</p> <p>The Nominations and Remuneration Committee Charter is available on the Company's website.</p>

Auditor's independence declaration



Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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

In relation to our audit of the financial report of Bisalloy Steel Group Limited for the financial year ended 30 June 2013, 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
21 August 2013

Consolidated statement of comprehensive income

for the year ended 30 June 2013

	Notes	Consolidated	
		Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Continuing operations			
Revenue			
Sales of goods		80,584	103,999
Cost of sales	5(c)	(63,735)	(82,913)
Gross profit		16,849	21,086
Other income	5(a)	16	133
Distribution expenses		(1,156)	(1,115)
Marketing expenses		(3,023)	(3,111)
Occupancy expenses		(834)	(877)
Administrative expenses		(5,144)	(5,178)
Operating profit		6,708	10,938
Finance costs	5(b)	(1,489)	(1,392)
Finance income	5(b)	21	56
Share of profit of joint venture	6	194	405
Profit before income tax		5,434	10,007
Income tax expense	7(a)	(1,615)	(3,162)
Profit after income tax		3,819	6,845
Attributable to:			
Non-controlling interest	21(e)	336	585
Owner's of the parent		3,483	6,260
		3,819	6,845
Other comprehensive income			
Profit for the year			
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on cash flow hedges		320	181
Income tax effect		(96)	(46)
		224	135
Foreign currency translation		873	(225)
Income tax effect		–	–
		873	(225)
Other comprehensive income/(loss) for the period, net of tax		1,097	(90)
Total comprehensive income for the period, net of tax		4,916	6,755
Attributable to:			
Non-controlling interest		535	487
Owner's of the parent		4,381	6,268
		4,916	6,755
Earnings per share for profit attributable to ordinary equity holders of the parent			
– Basic earnings per share (cents)	8	8.0	14.5
– Diluted earnings per share (cents)	8	7.9	14.2

Consolidated statement of financial position

as at 30 June 2013

	Notes	Consolidated	
		Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	10(a)	693	1,225
Trade and other receivables	11	12,141	17,148
Inventories	12	21,670	20,281
Other current assets	13	862	848
Derivative financial instruments	20	268	90
Total current assets		35,634	39,592
Non-current assets			
Other financial assets	13	185	227
Investment in joint venture	6	1,534	1,340
Property, plant and equipment	14	17,089	17,350
Total non-current assets		18,808	18,917
Total assets		54,442	58,509
LIABILITIES			
Current liabilities			
Trade and other payables	17	13,151	18,333
Other liabilities	17	539	–
Income tax payable	7(e)	234	2,741
Provisions	19	2,321	2,130
Derivative financial instruments	20	136	206
Total current liabilities		16,381	23,410
Non-current liabilities			
Interest bearing loans and borrowings	18	11,055	12,331
Other liabilities	17	–	491
Provisions	19	339	375
Deferred tax liabilities	7(d)	794	93
Total non-current liabilities		12,188	13,290
Total liabilities		28,569	36,700
NET ASSETS		25,873	21,809
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	21(a)	10,874	10,874
Accumulated profits	21(f)	9,801	6,289
Other reserves	21(g)	1,976	1,460
Parent interests		22,651	18,623
Non-controlling interests	21(e)	3,222	3,186
TOTAL EQUITY		25,873	21,809

Consolidated statement of cash flows

for the year ended 30 June 2013

	Notes	Consolidated	
		Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		93,893	109,916
Payments to suppliers and employees (inclusive of GST)		(86,668)	(101,455)
Interest received		21	56
Borrowing costs		(1,489)	(1,392)
Income tax paid		(3,422)	(440)
Net cash inflow from operating activities	10(b)	2,335	6,685
Cash flows from investing activities			
Proceeds from sale of fixed assets		-	10
Payments for property, plant and equipment		(1,132)	(1,627)
Payments for investment in joint venture		-	(467)
Net cash outflow from investing activities		(1,132)	(2,084)
Cash flows from financing activities			
Repayment of borrowings		(1,276)	(3,481)
Dividends paid to non-controlling interests		(499)	(478)
Net cash outflow from financing activities		(1,775)	(3,959)
Net increase / (decrease) in cash held		(572)	642
Net foreign exchange differences		40	(27)
Cash at the beginning of the financial year		1,225	610
Cash at the end of the financial year	10(a)	693	1,225

Consolidated statement of changes in equity

for the year ended 30 June 2013

	Attributable to equity holders of the Company									
	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	Equity Settlement Reserve \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest \$'000	Total equity \$'000
At 30 June 2012	10,874	525	(142)	(1,694)	2,771	-	6,289	18,623	3,186	21,809
Profit for the period	-	-	-	-	-	-	3,483	3,483	336	3,819
Other comprehensive income	-	-	224	674	-	-	-	898	199	1,097
Depreciation transfer for building revaluation	-	-	-	-	(29)	-	29	-	-	-
Total comprehensive income	-	-	224	674	(29)	-	3,512	4,381	535	4,916
Transactions with owners in their capacity as owners:										
Share based payments	-	209	-	-	-	-	-	209	-	209
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(499)	(499)
Settlement of performance rights	-	(360)	-	-	-	(202)	-	(562)	-	(562)
At 30 June 2013	10,874	374	82	(1,020)	2,742	(202)	9,801	22,651	3,222	25,873
At 30 June 2011	65,539	299	(277)	(1,567)	2,800	-	(54,665)	12,129	3,177	15,306
Profit for the period	-	-	-	-	-	-	6,260	6,260	585	6,845
Other comprehensive income	-	-	135	(127)	-	-	-	8	(98)	(90)
Depreciation transfer for building revaluation	-	-	-	-	(29)	-	29	-	-	-
S258F capital reduction	(54,665)	-	-	-	-	-	54,665	-	-	-
Total comprehensive income	(54,665)	-	135	(127)	(29)	-	60,954	6,268	487	6,755
Transactions with owners in their capacity as owners:										
Share based payments	-	226	-	-	-	-	-	226	-	226
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(478)	(478)
At 30 June 2012	10,874	525	(142)	(1,694)	2,771	-	6,289	18,623	3,186	21,809

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 1. Corporate information

The financial report of Bisalloy Steel Group Limited and its subsidiaries ("the Group") for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 21 August 2013.

Bisalloy Steel Group Limited is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

Note 2. Summary of significant accounting policies

TABLE OF CONTENTS

- a. Basis of preparation
- b. Statement of compliance
- c. Basis of consolidation and investments in joint venture
- d. Significant accounting judgements, estimates and assumptions
- e. Operating segments
- f. Taxation
- g. Cash and cash equivalents
- h. Trade and other receivables
- i. Inventories
- j. Property, plant and equipment
- k. Trade and other payables
- l. Contributed equity
- m. Employee benefits
- n. Share-based payment transactions
- o. Provisions
- p. Interest bearing loans and borrowings
- q. Goods and services tax
- r. Revenue recognition
- s. Borrowing costs
- t. Leases
- u. Foreign currency translation
- v. Earnings per share (EPS)
- w. Derivative financial instruments and hedging
- x. Changes in accounting standards

a. Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. The financial information contained in the financial report 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 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.

New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except the following which the Group adopted from 1 July 2012:

- *AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income which requires entities to group items presented in other comprehensive income on the basis of whether they might be reclassified subsequently to profit or loss and those that will not.*

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 2013.

b. Statement of compliance

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

c. Basis of consolidation and investments in a joint venture

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.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. 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.

The financial statements of the 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.

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.

The Group has an interest in a joint venture, which is a jointly controlled entity, whereby the venturers have a contractual arrangement that establishes joint control over the economic activities of the entity. The Group's investment in the joint venture is accounted for using the equity method and is not part of the consolidated Group.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 2. Summary of significant accounting policies (continued)

c. Basis of consolidation and investments in a joint venture (continued)

Under the equity method, the investment in the joint venture is carried on the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. Goodwill relating to the joint venture is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The income statement reflects the Group's share of the results of operations of the joint venture. When there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the joint venture are eliminated to the extent of the interest in the joint venture.

The Group's share of profit of the joint venture is shown on the face of the income statement. This is the profit attributable to the equity holders of the joint venture and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the joint venture.

The financial statements of the joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

d. Significant accounting judgements, estimates and assumptions

In the application of the Group's accounting policies as described below, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

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 within the next annual reporting period 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 and alloyed steel plate.

Impairment of other non-financial assets

Non-financial assets other than goodwill and indefinite life intangibles are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or group of assets

(cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have been reversed.

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 discounted cash flow models using the assumptions dealt with in note 2(n).

e. Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors.

Operating segments have been identified and based on the information provided to the chief operating decision makers – being the executive management team.

The Group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- nature of the products and services,
- nature of production processes,
- type or class of customer for their products and services,
- methods use to distribute their products or provide their services, and if applicable
- nature of the regulatory environment.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

f. Taxation

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred tax

Deferred income tax is provided on temporary differences at reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in

a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each statement of financial position date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred income tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of comprehensive income.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

g. Cash and cash equivalents

Cash in the statement of financial position and the cash flow statement is comprised of cash on hand and in banks and short-term deposits with an original maturity of three months or less. Cash is stated at nominal value.

h. Trade and other receivables

Trade and other receivables are carried at amounts due less an allowance for any uncollectible amounts. The collectability of debts is assessed at balance date and provision is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified. Trade debtors are generally on 30-60 day terms. These are non-interest bearing.

i. Inventories

Raw materials, work in progress and finished goods are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Raw materials

- Purchase cost is on an average cost basis.

Work in progress and finished goods

- Cost of direct materials, labour and an appropriate proportion of manufacturing overheads is based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

j. Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in the profit and loss as incurred.

Land and buildings are measured at fair value, less accumulated depreciation on buildings and any impairment losses recognised after the date of the revaluation. Valuations are performed every three years, or sooner should there be a significant change in market conditions, to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 2. Summary of significant accounting policies (continued)

j. Property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

• Land	not depreciated
• Buildings	50 years
• Plant and equipment	5 – 10 years
• Leasehold improvements	5 – 10 years

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Revaluations of land and buildings

Any revaluation increment is credited to the asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss.

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated

as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit and loss in the period the item is derecognised.

Information technology costs

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and / or cost reduction are capitalised to information technology costs. Amortisation is calculated on a straight line basis over periods not exceeding 10 years.

k. Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

l. Contributed equity

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity, net of tax, as a reduction of the share proceeds received.

m. Employee benefits

Liabilities arising in respect of short-term employee benefits such as wages, salaries, annual leave and sick leave represent the amount which the entity has a present obligation to pay resulting from employees' services provided up to the balance date. Liabilities in respect of short-term employee benefits are measured at their nominal amounts.

Long-term employee benefit liabilities such as long service leave represent the present value of the estimated future cash outflows to be made by the employer resulting from employees' services provided up to the balance date. Long-term employee benefit liabilities are measured at their present values using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the employee benefit liabilities, consideration has been given to future increases in wage and salary

rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

The Group contributes to several defined contribution superannuation plans. Contributions are charged against income as they are made.

n. Share-based payment transactions

Employees (including directors and other senior executives) of the Group receive remuneration in the form of a grant of Rights, whereby employees render services as consideration for equity instruments ('equity-settled transactions'). There is currently a Share Rights Plan in place to provide these benefits.

The cost of equity-settled transactions with employees is measured 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 methodology. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the issuer ('market conditions'), if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. This opinion is formed based on the best available information at balance date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for Rights that do not ultimately vest. Any Rights that do not become vested Rights, lapse.

The dilutive effect, if any, of outstanding Rights is reflected as additional share dilution in the computation of diluted earnings per share.

o. Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense related to any provision is presented in the statement of comprehensive income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

p. Interest bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

q. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), or GST equivalents, such as Value Added Tax, except:

- where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO), or equivalent foreign organisations. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses;
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

r. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Sale of goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the customer. Risks and rewards of ownership are considered passed to the customer at the time of delivery of the goods to the customer.

Rendering of services

This revenue comprises of freight, restocking and miscellaneous service charges provided to customers, which is recognised when the service is provided and billed to the customer.

Interest income

Interest income is recognised as it accrues using the effective interest method (that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset).

Dividend income

Dividend income is recognised when the Group's right to receive the payment is established.

s. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Bisalloy Steel Group Limited does not currently hold qualifying assets but, if it did, the borrowing costs directly associated with this asset would be capitalised (including any other associated costs directly attributable to the borrowing and temporary investment income earned on the borrowing).

t. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and whether the arrangement conveys a right to use the asset.

Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 2. Summary of significant accounting policies (continued)

u. Foreign currency translation

The financial statements are presented in Australian dollars (A\$), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the statement of financial position date. All differences are taken to profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

The functional currency of the foreign operations is the currency in circulation in the country they each reside in. As at the reporting date, the assets and liabilities of these subsidiaries are translated into the Company's presentation currency (A\$) at the rate of exchange ruling at balance date, and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in the foreign currency translation reserve within equity. On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

v. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for:

- costs of servicing equity (other than dividends);

- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

w. Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability; or
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply

hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:

Cash Flow Hedges

Cash flow hedges are a hedge of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the statement of comprehensive income when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Fair Value Hedges

Fair value hedges are a hedge of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment that is attributable to a particular risk and could affect profit and loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged and the derivative is remeasured to fair value. Gains and losses from both are taken to the profit or loss.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The change in fair value of the hedging instrument is also recognised in the profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedge financial instrument for which the effective interest method is used is amortised to the profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Notes to the consolidated financial statements

for the year ended 30 June 2013

x. Changes in accounting standards

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 2013. Those that may be applicable to the Group are outlined in the table below.

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 9	<i>Financial Instruments</i>	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	1 January 2015	The amendments are not expected to have a significant impact on the financial statements	1 July 2015
AASB 10	<i>Consolidated Financial Statements</i>	AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.	1 January 2013	The amendments are not expected to have a significant impact on the financial statements	1 July 2013
AASB 11	<i>Joint Arrangements</i>	AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation.	1 January 2013	The amendments are not expected to have a significant impact on the financial statements	1 July 2013
AASB 12	<i>Disclosure of Interests in Other Entities</i>	AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests	1 January 2013	The amendments are not expected to have a significant impact on the financial statements	1 July 2013
AASB 13	<i>Fair Value Measurement</i>	AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.	1 July 2013	The amendments are not expected to have a significant impact on the financial statements	1 July 2013
AASB 119	<i>Employee Benefits</i>	The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.	1 January 2013	The amendments are not expected to have a significant impact on the financial statements	1 July 2013
AASB 2012-2	<i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognized financial assets and recognized financial liabilities, on the entity's financial position.	1 January 2013	The amendments are not expected to have a significant impact on the financial statements	1 July 2013

Reference	Title	Summary	Application date of standard	Impact on Group financial report	Application date for Group
AASB 2012-5	<i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle</i>	<i>AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: Repeats application of AASB 1 is permitted (AASB 1) Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).</i>	1 January 2013	<i>The amendments are not expected to have a significant impact on the financial statements</i>	1 July 2013
AASB 2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	<i>AASB 2012-3 adds application guidance to AASB 132 Financial Instruments: Presentation to address inconsistencies identified applying some of the offsetting criteria of AASB 132, including clarifying the meaning of “currently has a legally enforceable right to set-off” and that some gross settlement systems may be considered equivalent to net settlement.</i>	1 January 2014	<i>The amendments are not expected to have a significant impact on the financial statements</i>	1 July 2014

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 3. Financial Risk Management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that the Group's objectives and activities are aligned with the risks and opportunities identified by the board.

The board has established an Audit and Risk Committee comprising non-executive directors, whose meetings are also attended by the executive directors. In addition sub-committees are convened as appropriate in response to issues and risks identified by the board, and the sub-committee further examines the issue and reports back to the board.

The board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the board. These include the following:

- Board approval of a strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risk.
- Implementation of board approved operating plans and budgets and board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.
- The establishment of committees to report on specific business risks, including for example, such matters as environmental issues and concerns and occupational health and safety.

- The board reviews financial risks such as the Group's liquidity, currency, interest rate and credit policies and exposures and monitors management's actions to ensure they are in line with Group policy.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group has a narrow customer base and has the potential to be exposed to credit risk on a specific customer.

A credit policy is in place, the objective of which is:

- To ensure all credit worthiness checks are carried out prior to opening new credit accounts and appropriate authorisations obtained;
- To ensure the approved credit limit is appropriate to the inherent risk of trading with any particular customer;
- To ensure all orders are converted into cash within trading terms;
- To minimise late payments and any potential bad debts through the constant application of sound commercial debtor management on a continuing basis;

The credit policy requires credit insurance to be taken out against customers where the concentration risk of trading with any specific customer is assessed as high.

Goods are sold subject to retention of title clauses that permit the Group to reclaim stock from a customer up to the value of monies owed in the event:

- Official Manager
- Receiver and Manager
- Administrator
- Liquidator

or similar business administration is appointed to the customer's business.

The Group has established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss is based on historical data of payment statistics for similar financial assets.

The maximum exposure to credit risk for these financial assets is limited to their carrying amounts as disclosed in note 11.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities as and when they fall due without incurring unacceptable losses or risking damaging the Group's reputation.

On 18 June 2012 the Group renewed its facility agreement which comprises an \$11m term loan and \$14m revolver borrowing facility. The drawn revolver facility balance is limited to the value of the available collateral and fluctuates daily. Eligible trade receivables, eligible inventory, plant and equipment and real property constitute available collateral. At balance date, the carrying amount of assets pledged as collateral was \$44.5m (2012: \$49.7m).

In addition to the eligible collateral, the Group have several general and financial undertakings which they must comply with including a \$6m (2012: \$6m) limit on capital expenditure, a Tangible Net Worth covenant, and a Fixed Charge Coverage Ratio covenant.

Due to the nature of the facility cashflow is managed on a daily basis, comparing actual against forecast collateral, receipts and payments. Each month a complete review is undertaken of the projected daily cashflow.

Contractual maturity of financial liabilities

The table below reflects all contractually fixed payments for settlement, repayments and interest resulting from recognised financial liabilities, including derivative financial instruments as at 30 June 2013.

For derivative financial instruments the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2013.

	Consolidated	
	2013 \$'000	2012 \$'000
6 months or less	14,365	21,708
6-12 months	339	428
1-5 years	12,377	14,577
Over 5 years	-	-
	27,081	36,713

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 3. Financial Risk Management (continued)

Management analysis of financial assets and liabilities

The table below is based on management expectations of the timing of cash inflows and outflows from its financial assets and liabilities which reflect a balanced view of cash inflows and outflows. Net settled derivatives comprise forward exchange contracts that are used to hedge future sales and purchase commitments.

Leasing obligations, trade payables and other financial liabilities mainly originate from the financing of assets used in our ongoing operations such as property, plant, equipment and investments in working capital (e.g., inventories and trade receivables). These assets are considered in the Group's overall liquidity risk.

To monitor existing financial assets and liabilities as well as to enable an effective controlling of future risks, the Group has established comprehensive risk reporting covering its operation that reflects expectations of management of expected settlement of financial assets and liabilities.

	<=6 months \$'000	6-12 months \$'000	1-5 years \$'000	>5 years \$'000	Total \$'000
Consolidated					
Financial assets					
Cash and cash equivalents	693	–	–	–	693
Trade and other receivables	12,141	–	–	–	12,141
Derivatives					
Inflows	3,225	–	–	–	3,225
Outflows	(3,493)	–	–	–	(3,493)
	12,566	–	–	–	12,566
Financial liabilities					
Trade and other payables	13,690	–	–	–	13,690
Interest bearing loans and borrowings	322	322	12,377	–	13,021
Income tax payable	234	–	–	–	234
Derivatives – gross settled					
Inflows	2,076	585	–	–	2,661
Outflows	(1,957)	(568)	–	–	(2,525)
	14,365	339	12,377	–	27,081
Net inflow/(outflow)	(1,799)	(339)	(12,377)	–	(14,515)

MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and commodity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when revenue or expense is denominated in different currency from the Group's functional currency) and the Group's net investment in foreign subsidiaries.

The Group manages its foreign currency risk by hedging transactions that are expected to occur within a maximum twelve month period. The Group generally adopts a policy of covering exchange exposures related to purchases and sales of product at the time they are incurred or committed.

Throughout the year the foreign exchange risk has been actively managed through periodic risk assessments. The objective of these assessments is to stratify foreign exchange exposure into risk categories and enable available hedge facilities to be applied to those assessed as higher risk.

Risk assessments take into account macro economic lead indicators such as interest rate differentials, inflation rate differentials and externally published market analytical data to determine the likelihood of movement in exchange rates. The likelihood is applied to the Group's foreign currency exposure to determine financial impact on a sensitivity basis.

Sensitivity analysis

The following table summarises the sensitivity of financial instruments held at balance date to possible movements in the exchange rate of the Australian dollar to foreign currencies, with all other variables held constant. The +10%/-10% sensitivity is based on reasonably possible changes, over a financial year, using the observed range of actual historical rates for the preceding 5 year period, along with consideration for current market trends.

	Effect on Post tax profit Higher / (Lower)		Effect on equity Higher / (Lower)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Sensitivity to USD				
Consolidated				
AUD/USD +10%	133	438	(75)	323
AUD/USD -10%	(162)	(536)	92	(395)

Interest rate risk

The Group's borrowing facility has a variable interest rate attached to it. The Group monitors the underlying interest rate outlook and considers the use of interest rate derivatives (principally swaps) to manage the exposure to interest rate fluctuations.

The Group's exposure to market interest rates relates primarily to the Group's interest bearing borrowings. At 30 June 2013, the Group had the following mix of financial assets and liabilities exposed to variable interest rates that are not designated in cash flow hedges.

	Consolidated	
	2013 \$'000	2012 \$'000
Financial Assets		
Cash and cash equivalents	689	1,221
Financial Liabilities		
Bank loans	(11,055)	(12,331)
Net exposure	(10,366)	(11,110)

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 3. Financial Risk Management (continued)

Interest rate sensitivity analysis

The following table summarises the sensitivity of the fair value of financial instruments held at the balance date following a movement in interest rates, with all other variables held constant. The +1.0/-1.0 basis points sensitivity is based on reasonably possible changes over a financial year, using the observed range of actual historical rates for the preceding 5 year period.

	Post tax profit Higher / (Lower)		Other comprehensive income Higher / (Lower)	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Consolidated				
+1.0% (100 basis points)	(73)	(78)	-	-
-1.0% (100 basis points)	73	78	-	-

COMMODITY RISK

The Group does not hedge for movements in the underlying price of product, but manages commodity risk within the parameters of the markets within which it trades.

Fair value

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.

	Year ended 30 June 2013				Year ended 30 June 2012			
	Quoted market price (Level 1) \$000	Valuation technique- market observable inputs (Level 2) \$000	Valuation technique- non market observable inputs (Level 3) \$000	Total \$000	Quoted market price (Level 1) \$000	Valuation technique- market observable inputs (Level 2) \$000	Valuation technique- non market observable inputs (Level 3) \$000	Total \$000
Consolidated								
Financial assets								
Foreign exchange contracts	-	268	-	268	-	90	-	90
	-	268	-	268	-	90	-	90
Financial liabilities								
Foreign exchange contracts	-	136	-	136	-	206	-	206
	-	136	-	136	-	206	-	206

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Transfer between categories

There were no transfers between levels during the year.

Note 4. Operating segments

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 are comprised 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 other 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.

ACCOUNTING POLICIES AND INTER-SEGMENT TRANSACTIONS

The accounting policies used by the Group in reporting segments internally are the same as those contained in note 2 to the accounts and in the prior period except as detailed below:

Inter-entity sales

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.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note. 4 Operating segments (continued)

MAJOR CUSTOMERS

The group has a number of customers to which it provides products. There are three major distributors who account for 26% (2012: 19%), 17% (2012: 19%) and 16% (2012: 4%) of total external revenue. The next most significant client account is end users with one major customer who accounts for 1% (2012: 10%) of total external revenue.

Year ended 30 June 2013	Australia \$'000	Overseas \$'000	Total \$'000
Revenue:			
Sales to external customers	66,429	14,155	80,584
Inter-segment sales	6,680	–	6,680
Total segment revenue	73,109	14,155	87,264
Inter-segment elimination			(6,680)
Total consolidated revenue			(80,584)
Segment net operating profit after tax	2,460	1,359	3,819
Interest income	2	19	21
Interest expense	1,474	15	1,489
Depreciation	1,333	91	1,424
Share of profit of joint venture	–	194	194
Income tax expense	1,179	436	1,615
Segment assets	44,737	14,792	59,529
Capital expenditure	1,095	38	1,133
Segment liabilities	26,137	3,010	29,147
<hr/>			
Year ended 30 June 2012	Australia \$'000	Overseas \$'000	Total \$'000
Revenue:			
Sales to external customers	87,097	16,902	103,999
Inter-segment sales	8,220	–	8,220
Total segment revenue	95,317	16,902	112,219
Inter-segment elimination			(8,220)
Total consolidated revenue			103,999
Segment net operating profit after tax	4,789	2,056	6,845
Interest income	6	50	56
Interest expense	1,380	12	1,392
Depreciation	1,035	107	1,142
Share of profit of joint venture	–	405	405
Income tax expense	2,555	607	3,162
Segment assets	49,832	15,852	65,684
Capital expenditure	1,489	138	1,627
Segment liabilities	32,615	4,568	37,183

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
i) Segment revenue reconciliation to the statement of comprehensive income		
Total segment revenue	87,264	112,219
Inter-segment sales elimination	(6,680)	(8,220)
Total revenue	80,584	103,999

Revenue from external customers by geographical location is detailed below. Revenue is attributed to geographic location based on the location of the customers.

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Australia	63,644	79,991
Indonesia	8,836	12,673
Other foreign countries	8,104	11,335
Total revenue	80,584	103,999

ii) Segment net operating profit after tax reconciliation to the statement of comprehensive income

The executive management committee meets on a monthly basis to assess the performance of each segment by analysing the segment's net operating profit after tax. A segment's net operating profit after tax excludes non operating income and expense such as dividends received, fair value gains and losses, gains and losses on disposal of assets and impairment charges.

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Reconciliation of segment net operating profit after tax to net profit before tax		
Segment net operating profit after tax	3,819	6,845
Income tax expense	1,615	3,162
Total net profit before tax per the statement of comprehensive income	5,434	10,007

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note. 4 Operating segments (continued)

iii) Segment assets reconciliation to the statement of financial position

In assessing the segment performance on a monthly basis, the executive management committee analyses the segment result as described above and its relation to segment assets. Segment assets are those operating assets of the entity that the management committee views as directly attributing to the performance of the segment. These assets include plant and equipment, receivables, inventory and intangibles and exclude available-for-sale assets, derivative assets, deferred tax assets, and pension assets.

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Reconciliation of segment operating assets to total assets		
Segment operating assets	59,529	65,684
Inter-segment eliminations	(5,355)	(7,265)
Derivative assets	268	90
Deferred tax assets	–	–
Total assets per the statement of financial position	54,442	58,509

The analysis of the location of non-current assets other than financial instruments, deferred tax assets, pension assets is as follows:

Australia	18,119	16,865
Overseas	689	2,052
Total assets	18,808	18,917

iv) Segment liabilities reconciliation to the statement of financial position

Segment liabilities include trade and other payables and debt. The Group has a centralised finance function that is responsible for raising debt and capital for the Australia operations. Each Australian entity or business uses this central function to invest excess cash or obtain funding for its operations. The executive management committee reviews the level of debt for each segment in the monthly meetings.

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Reconciliation of segment operating liabilities to total liabilities		
Segment operating liabilities	29,147	37,183
Inter-segment eliminations	(4,402)	(6,028)
Income tax payable	234	2,741
Provisions	2,660	2,505
Derivative financial instruments	136	206
Deferred tax liabilities	794	93
Total liabilities per the statement of financial position	28,569	36,700

Note 5. Revenue and expenses

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
(a) Other (income)/expenses		
Foreign exchange losses/(gains)	(2)	(74)
Other income	(14)	(59)
	(16)	(133)
(b) Finance income and costs		
Bank interest and borrowing costs	1,489	1,392
Total finance costs	1,489	1,392
Bank interest	(21)	(56)
Total finance income	(21)	(56)
(c) Depreciation and costs of inventories included in statement of comprehensive income		
Depreciation and amortisation	1,424	1,142
Costs of inventories recognised as an expense	63,735	82,913
(d) Lease payment and other expenses included in statement of comprehensive income		
Rental – operating leases	278	316
(e) Employee benefits expense		
Wages and salaries	10,725	12,188
Superannuation costs	748	734
Expense of share-based payments	209	226
	11,682	13,148

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note. 6. Investment in a joint venture

In July 2011 the Group signed a Cooperative Joint Venture Agreement with Jigang Iron & Steel Co., Limited to establish Bisalloy Jigang Steel Plate (Shandong) Co., Limited ('the joint venture') for the marketing and distribution of quench & tempered steel plate in the People's Republic of China and other international markets.

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 joint venture to produce quench & tempered steel plate at Jigang's production facility in Shandong Province, PRC for a 33% ownership of the equity and a 50% share in the operating result of the joint venture.

As at 30 June 2013, US\$500,000 of the investment had been paid, with the balance due in July 2013.

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
Share of the joint venture's statement of financial position:		
Current assets	1,096	831
Non-current assets	41	42
Current liabilities	68	(75)
	1,205	948
Share of the joint venture's revenue and profit:		
Revenue	1,378	1,749
Profit	194	405
Carrying amount of the investment	1,534	1,340

The assets and liabilities are disclosed at their carrying value which is assumed to approximate their fair value.

The joint venture has no capital commitments or contingent liabilities at 30 June 2013.

Note 7. Income tax

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
(a) Income Tax Expense		
The major components of income tax expense are:		
Statement of comprehensive income		
Current income tax		
Current income tax charge	1,466	3,499
Adjustments in respect of current income tax of previous years	(455)	–
	1,011	3,499
Deferred income tax		
Relating to origination and reversal of temporary differences	604	(337)
Income tax expense	1,615	3,162
The income tax expense for the period is disclosed as follows:		
Income tax expense reported in the consolidated statement of comprehensive income	1,615	3,162
	1,615	3,162
(b) Amounts charged or credited directly to equity		
Deferred income tax related to items charged or credited directly to equity		
Net gain on revaluation of derivative assets	96	46
Income tax expense reported in equity	96	46
(c) Numerical reconciliation between aggregate tax expense recognised in the statement of comprehensive income and tax expense calculated per the statutory income tax rate		
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:		
Accounting profit before tax	5,434	10,007
At the Group's statutory income tax rate of 30% (2012: 30%)	1,630	3,002
Income assessable for tax purposes	358	464
Expenditure not allowable for tax purposes	176	199
De-recognition of foreign income tax credits	165	–
Income not assessable for tax purposes	(58)	(124)
Expenditure allowable for tax purposes	(121)	(154)
Foreign tax credits allowed	(214)	(225)
Adjustments in respect of current income tax of previous years	(321)	–
	1,615	3,162

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 7. Income tax (continued)

	Statement of financial position		Statement of comprehensive income		Equity	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
(d) Deferred income tax						
Deferred income tax at 30 June relates to the following:						
CONSOLIDATED						
Accelerated depreciation for tax purposes	(1,720)	(1,707)	13	108	–	–
Employee entitlement provisions	648	620	(28)	(79)	–	–
Other provisions and accruals	44	303	259	(259)	–	–
Inventory	60	144	83	(79)	–	–
Other	214	212	(2)	(229)	–	–
Foreign income tax credits	–	300	300	88	–	–
Derivatives	(40)	35	(21)	113	96	48
Deferred tax (liabilities)/assets reflected in the balance sheet	(794)	(93)				
Deferred tax credit/expense			604	(337)		
Equity					96	48

(e) Current income tax at 30 June relates to the following:

The current tax liability for the Consolidated entity of \$233,739 (2012: \$2,741,000) represents the amount of income tax payable in respect of the current and prior periods that arises from the payment of tax in deficit of the amounts due to the relevant tax authority.

The Consolidated entity liability includes both the income tax payable by all members of the tax consolidated group and those members outside the tax consolidated group and outside the Australian tax jurisdiction.

(f) Unrecognised temporary differences

At 30 June 2013, there are no unrecognised temporary differences associated with the Group's investments in subsidiaries, as the Group has no liability for additional taxation should unremitted earnings be remitted (2012: Nil).

(g) Tax consolidation

(i) Members of the tax consolidation group and the tax sharing arrangement

Effective 1 July, 2003, for the purposes of income taxation, the Company and its 100% owned Australian subsidiaries formed a tax consolidated group. Members of the group have entered into a tax sharing arrangement. This arrangement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of a default is remote. The head entity of the group is Bisalloy Steel Group Limited.

(ii) Tax effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The allocation of taxes under the tax funding agreement is recognised under the separate tax payer within a group approach. Allocations under the tax funding agreement are made on a semi annual basis.

The amount that is allocated under the tax funding agreement is done so in accordance with a method permitted by UIG1052 and is recognised by way of an increase or decrease in the subsidiaries intercompany accounts.

Note 8. Earnings per share (EPS)

	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
The following reflects the income and share data used in the basic and diluted earnings per share computations:		
Net profit for the period	3,819	6,845
Net profit attributable to non-controlling interest holders	336	585
Net profit attributable to equity holders of the parent (used in calculating basic and diluted EPS)	3,483	6,260
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	43,292	43,292
Effects of dilution:		
Performance rights	578	707
Adjusted weighted average number of ordinary shares for diluted earnings per share	43,870	43,999
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

Note 9. Dividends paid or proposed

	Consolidated	
	Year ended 30 June 2013 \$'000	Year ended 30 June 2012 \$'000
(a) Dividends paid during the year		
Interim 2013 – Nil (2012: Nil)	-	-
Final 2013 dividend – Nil (2012: Nil)	-	-
(b) Proposed for approval at the annual general meeting (not recognised as a liability as at 30 June)		
Final dividend for 2013 – 4.0 cents per share (2012: Nil)	1,732	-
(c) Franking credit balance		
The amount of franking credits available for the subsequent financial year are:		
Franking account balance as at the end of the financial year at 30%	4,686	1,908
Franking credits that will arise from the payment of tax payable as at the end of the financial year	803	2,594
Franking debits that will arise from the payment of dividends as at the end of the financial year	(520)	-
	4,969	4,502

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 10. Cash and cash equivalents

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
(a) Reconciliation of cash		
For the purpose of the cash flow statement, cash and cash equivalents comprise the following at 30 June:		
Cash at bank	689	1,221
Cash at hand	4	4
Total	693	1,225
(b) Reconciliation of net profit after income tax to net cash provided by operations		
Net profit after tax	3,819	6,845
Non cash items		
Depreciation and amortisation	1,424	1,142
Share-based payments expense	209	226
Net profit on disposal of property, plant and equipment	–	(10)
Impairment and write-off of current assets	(30)	(11)
Share of profit of an associate	(194)	(405)
Net fair value change on derivatives	(25)	(403)
Change in operating assets and liabilities		
Decrease/(increase) in receivables and other assets	5,007	(3,865)
Decrease/(increase) in foreign currency translation	852	(152)
Increase in inventories	(1,360)	(6,567)
(Decrease)increase in tax assets and liabilities	(1,807)	2,722
Decrease/(increase) in prepayments	29	(166)
(Decrease)/increase in trade creditors	(5,182)	6,952
Increase in provisions	155	377
Settlement of share rights	(562)	–
Net cash used in operating activities	2,335	6,685
(c) Disclosure of financing facilities		
Refer note 18.		

Note 11. Trade and other receivables

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Current		
Trade receivables	12,152	17,090
Less: Provision for doubtful debts	(22)	(66)
	12,130	17,024
Other	11	124
	11	124
	12,141	17,148

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

At 30 June, the ageing analysis of trade receivables is as follows:

	Total \$'000	0-30 Days \$'000	31-60 Days \$'000	61-90 Days PDNI* \$'000	61-90 Days CI* \$'000	+91 Days PDNI* \$'000	+91 Days CI* \$'000
2013 Consolidated	12,152	6,676	3,684	993	–	777	22
2012 Consolidated	17,090	11,902	4,605	419	–	98	66

* Past due not impaired ('PDNI')
Considered impaired ('CI')

Receivables past due and considered impaired are \$22,000 (2012: \$66,000) which relate to specific receivables. Credit has been stopped on these accounts until full payment is made. Receivables over 91 days past due not impaired relate to an account within Australia for which payment was received after 30 June 2013 and accounts within the Indonesian and Thailand subsidiaries for which repayment terms have been renegotiated. The Group reports the aged status of receivables against original terms of trade and does not adjust for renegotiated terms.

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Foreign exchange and interest rate risk

Detail regarding foreign exchange and interest rate risk exposure is disclosed in note 3.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 12. Inventories

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Current		
Raw materials and stores	4,407	3,397
Finished goods	17,263	16,884
	21,670	20,281

(a) Inventory expense

Inventories recognised as an expense for the year ended 30 June 2013 totalled \$63,735,000 (2012: \$82,913,000). This expense has been included in the cost of sales line item as a cost of inventories.

The amount expensed includes \$29,823 (2012: \$10,845) for the Group relating to inventory write-downs.

Note 13. Other financial assets

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Current		
Prepayments	862	848
	862	848
Non-current		
Prepayments	185	227
	185	227

Note 14. Property, plant and equipment

(a) Reconciliation of carrying amounts at the beginning and end of the period

Consolidated	Freehold land and buildings \$'000	Leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Year ended 30 June 2013				
At 1 July 2012, net of accumulated depreciation and impairment	8,206	29	9,115	17,350
Additions	5	–	1,127	1,132
Disposals	–	–	–	–
Revaluations	–	–	–	–
Depreciation and amortisation charge for the year	(124)	(3)	(1,297)	(1,424)
Exchange adjustment	23	–	8	31
At 30 June 2013, net of accumulated depreciation and impairment	8,110	26	8,953	17,089
At 1 July 2012				
Cost or fair value	9,281	58	18,339	27,678
Accumulated depreciation and impairment	(1,075)	(29)	(9,224)	(10,328)
Net carrying value	8,206	29	9,115	17,350
At 30 June 2013				
Cost or fair value	9,297	58	16,391	25,746
Accumulated depreciation and impairment	(1,187)	(32)	(7,438)	(8,657)
Net carrying value	8,110	26	8,953	17,089
Year ended 30 June 2012				
At 1 July 2011, net of accumulated depreciation and impairment	8,348	31	8,512	16,891
Additions	37	4	1,586	1,627
Disposals	–	–	–	–
Revaluations	–	–	–	–
Depreciation and amortisation charge for the year	(156)	(6)	(980)	(1,142)
Exchange adjustment	(23)	–	(3)	(26)
At 30 June 2012, net of accumulated depreciation and impairment	8,206	29	9,115	17,350
At 1 July 2011				
Cost	9,267	54	16,756	26,077
Accumulated depreciation and impairment	(919)	(23)	(8,244)	(9,186)
Net carrying value	8,348	31	8,512	16,891
At 30 June 2012				
Cost or fair value	9,281	58	18,339	27,678
Accumulated depreciation and impairment	(1,075)	(29)	(9,224)	(10,328)
Net carrying value	8,206	29	9,115	17,350

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 14. Property, plant and equipment (continued)

(b) Revaluation of freehold land and freehold buildings

In 2011, the Group engaged Colliers International, an accredited independent valuer, to determine the fair value of its land and buildings. Fair value is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by the Group, and to market based yields for comparable properties. The effective date of the revaluation was 13 May 2011.

(c) Carrying amounts if land and buildings were measured at cost less accumulated depreciation and impairment

If land and buildings were measured using the cost model the carrying amounts would be as follows:

	2013 Freehold land and buildings \$'000	2012 Freehold land and buildings \$'000
Cost	5,297	5,281
Accumulated depreciation and impairment	(1,105)	(1,034)
Net carrying amount	4,192	4,247

15. Share-based payments plans

Long Term Incentives (LTI) Plan

The LTI program has been designed to align the remuneration received by executive directors and senior managers with the creation of shareholder wealth.

Consequently LTI grants are only made to executives who are in a position to influence shareholder wealth and thus have the opportunity to influence the company's performance against the relevant long term performance hurdles.

Structure

At the 2012 Annual General Meeting, an LTI plan was renewed for LTI grants to executives in the form of share rights.

These rights are granted in two equal parts. The first part is based on retention and requires the holder remain an employee for three years from grant date. The second part is based on delivering superior long-term performance as measured by Return on Equity ("ROE"), with each grant of rights divided into three equal tranches. For each tranche, actual ROE is measured against a budget ROE and a stretch ROE as determined annually by the board in respect of the forthcoming year. The proportion of the rights which vest depend on where within this range the Group performs, with 100% vesting on achieving the stretch ROE and no rights vesting if actual ROE is less than 90% of the budgeted ROE. For the 2013 year, the stretch ROE was set at the budget ROE. Any rights to which the employee may become entitled on achieving the performance criteria, are still subject to the three year retention criteria before they can vest.

Any share rights which do not vest, as a result of the relevant performance condition not being satisfied, lapse. If the holder leaves the business, the unvested rights lapse on the leaving date unless the board determines otherwise. In the event of a change in control of the Group, the vesting date will generally be brought forward to the date of change of control and share rights will vest subject to performance over this shortened period, subject to ultimate board discretion.

Once vested a holder may exercise his share rights and be allocated a fully paid ordinary share of Bisalloy at no cost to the employee.

During the 30 June 2013 financial year 500,000 share rights were granted to executives under this scheme.

The share rights have been valued by Mercer (Australia) Pty Ltd. A fair value expressed as a value per share right has been determined as at the grant date for each grant of rights. The rights have been valued according to a discounted cash flow (DCF) methodology. The share price at valuation date and a nil dividend yield for Grants 2 and 3 and a 5% dividend yield for Grant 4 (based on historic and future estimates at the time) formed the basis of the valuation. Refer to note 2(n) for further details on the valuation methodology.

The following table lists the valuation outputs for outstanding grants as at 30 June 2013:

	Expiry term of three years	
	Value of one right	Proportion of rights that vest
Grant 2	\$1.00	66.67%
Grant 3	\$0.58	83.33%
Grant 4	\$1.19	83.33%

The fair value of the performance rights granted is brought to account as an expense in the profit and loss over the three year vesting period. The following table shows the number of rights outstanding during the year and in the previous year. The expense recognised in the statement of comprehensive income in relation to share based payments is disclosed in note 5(e).

	Grant 1 Vested	Grant 2 Vested	Grant 3 Unvested	Grant 4 Unvested	Total
Grant date	4 Jan 2010	22 Mar 2010	1 Jul 2011	4 Jan 2013	
Expiry date	4 Jan 2013	30 Jun 2013	30 Jun 2014	4 Jan 2016	
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	
Balance at 30 June 2011	400,189	166,667	-	-	566,856
New grants in the year	-	-	300,000	-	300,000
Exercised in the year	-	-	-	-	-
Lapsed during the year	-	-	-	-	-
Balance at 30 June 2012	400,189	166,667	300,000	-	866,856
Exercisable at 30 June 2012	-	-	-	-	-
New grants in the year	-	-	-	500,000	500,000
Exercised in the year	-400,189	-	-	-	-400,189
Lapsed during the year	-	-33,333	-50,001	-83,333	-166,667
Balance at 30 June 2013	-	133,334	249,999	416,667	800,000
Exercisable at 30 June 2013	-	133,334	-	-	133,334

The weighted average remaining contractual life for the share rights outstanding as at 30 June 2013 is 2.0 years (2012: 1.12 years).

Share Rights Plan

The amount expensed in relation to the above for the current year was \$208,825 (2012: \$225,779).

Note 16. Pensions and other post-employment benefit plans

Superannuation commitments

The Company makes superannuation contributions on behalf of employees to externally managed defined contribution superannuation funds. The contributions are defined by the terms of each individual employee's employment and fully vest at the time the contributions are made.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 17. Trade and other payables

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Current		
Trade payables	12,012	15,988
Other payables and accruals	1,055	1,988
Goods and services tax	84	357
	13,151	18,333
Deferred payment on investment in joint venture	539	–
	13,690	18,333
Non-current		
Deferred payment on investment in joint venture	–	491
	–	491

Trade payables are non-interest bearing and are normally settled on 30 day terms.

Other payables and accruals are non-interest bearing and have an average term of three months. The deferred payment on investment in joint venture is to be paid by July 2013.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Information regarding interest rate, foreign exchange and liquidity risk exposure is set out in note 3.

Note 18. Interest-bearing loans and borrowings

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Current		
Borrowings secured by fixed and floating charges	–	–
Non-current		
Borrowings secured by fixed and floating charges	11,055	12,331

On 18 June 2012 Bisalloy Steel Group Ltd entered into a renewed facility with GE Commercial Australasia Pty Ltd, with a maturity date of 31 October 2015. This facility provides Bisalloy Steel Group Limited and Bisalloy Steels Pty Ltd with a:

- \$14m revolving loan facility; and
- \$11m term loan facility

The facility is secured by a fixed and floating charge over all assets of the Closed Group. The facility is subject to usual provisions such as negative covenants and various undertakings, including compliance with a fixed charge coverage ratio. The facility is variable rate linked to an interest rate plus a fixed margin. The average variable interest rate for the year is 6.16% (2012: 7.75%).

Fair values

Unless disclosed below, the carrying amount of the Group's current and non-current borrowings approximate their fair value.

Interest rate, foreign exchange and liquidity risk

Details regarding interest rate, foreign exchange and liquidity risk is disclosed in note 3.

Assets pledged as security

The fixed and floating charge covers all current and future assets of the Bisalloy Closed Group (note 23).

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
At reporting date, the following financing facilities had been negotiated and were available:		
Total facilities		
– revolver facility	14,000	14,000
– term loan	11,000	11,000
– Bisalloy Thailand facility (i)	865	772
– PT Bima facility (ii)	1,295	1,183
	27,160	26,955
Facilities used at reporting date		
– revolver facility	55	1,331
– term loan	11,000	11,000
– bank guarantees	14	381
– Bisalloy Thailand facility (i)	–	–
– PT Bima facility (ii)	–	–
	11,069	12,712
Facilities unused at reporting date		
– revolver facility (inc bank guarantees)	13,931	12,288
– term loan	–	–
– Bisalloy Thailand facility (i)	865	772
– PT Bima facility (ii)	1,295	1,183
	16,091	14,243

- (i) The Group had a THB 22m promissory note facility and a THB 3m bank overdraft facility available to its Thailand based subsidiary as at 30 June 2013. These facilities are secured by a guarantee from Bisalloy Steel Group Limited.
- (ii) The Group has an IDR 1billion and USD\$600,000 revolver facilities available to its Indonesian based subsidiary as well as a Letter of Credit facility totalling USD\$500,000. These facilities are secured by a charge over the assets of the Indonesian subsidiary.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 19. Provisions

Consolidated	Employee entitlements \$'000	Total \$'000
At 1 July 2012	2,505	2,505
Arising during the year	921	921
Utilised	(766)	(766)
At 30 June 2013	2,660	2,660
Current 2013	2,321	2,321
Non-current 2013	339	339
	2,660	2,660
Current 2012	2,130	2,130
Non-current 2012	375	375
	2,505	2,505

Long Service Leave

Refer to note 2(m) for the relevant accounting policy and a discussion of the significant estimations and assumptions applied in the measurement of this provision.

Note 20. Derivative financial instruments

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Current Assets		
Forward currency contracts – Cash flow hedges	131	–
Forward currency contracts – Fair value hedges	137	90
	268	90
Current Liabilities		
Forward currency contracts – Cash flow hedges	17	206
Forward currency contracts – Fair value hedges	119	–
	136	206

Instruments used by the Group

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

Forward currency contracts

Inventory purchases

In order to protect against exchange rate movements and to manage the inventory costing process, the Group had entered into forward exchange contracts to purchase US\$3,767,000 (2012: US\$9,815,000). These contracts hedged highly probable forecasted purchases and they are timed to mature when payments are scheduled to be made.

Cash flow hedges

These hedges are considered cash flow hedges to the point where a purchase invoice is received (and a payable financial liability generated). From this point the hedge protects the financial liability from exchange rate movements and is, therefore, a fair value hedge.

The cash flows of these hedges were expected to occur between 1 – 7 months from balance date and the profit and loss will be affected over 12 months as the inventory is either used in production or sold. As at balance date, the details of outstanding contracts in respect of inventory purchases were:

	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 Avg Exchange Rate	30 June 2012 Avg Exchange Rate
Buy US\$/Sell Australian \$	2,201	4,510	0.9520	1.0200

Fair value hedges

As referred to above, once a purchase invoice has been received for a forecast purchase for which a cash flow hedge was taken out, the hedge now protects the financial liability from exchange rate movements and is, therefore, reclassified as a fair value hedge. As at balance date, the details of outstanding contracts in respect of fair value hedges were:

	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 Avg Exchange Rate	30 June 2012 Avg Exchange Rate
Buy US\$/Sell Australian \$	1,610	5,308	1.0065	0.9725

Forecast export sales

In order to protect against exchange rate movements on cash flows from foreign currency denominated export sales orders, the Group entered into forward exchange contracts to purchase US\$2,036,000 (2012: US\$3,406,000). These contracts hedged highly probable forecasted export sales cash receipts and are timed to mature when receipts fall due.

Cash flow hedges

These hedges were considered cash flow hedges to the point where a sales invoice is raised (and a receivable financial asset generated). From this point, the hedge protects the financial asset from exchange rate movements and is, therefore, a fair value hedge.

The cash flows of these hedges were expected to occur between 1 – 3 months from balance date and the profit and loss affected over the same period as sales orders are invoiced and funds from customers received. As at balance date, the details of outstanding contracts in respect of uninvoiced export sales orders were:

	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 Avg Exchange Rate	30 June 2012 Avg Exchange Rate
Sell US\$/Buy Australian \$	–	21	–	1.0056

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 20. Derivative financial instruments (continued)

Fair value hedges

As referred to above, once a sales invoice has been raised for a forecast sale for which a cash flow hedge was taken out, the hedge now protects the financial asset from exchange rate movements and is, therefore, reclassified as a fair value hedge. As at balance date, the details of outstanding contracts in respect of fair value hedges were:

	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2013 Avg Exchange Rate	30 June 2012 Avg Exchange Rate
Sell US\$/Buy Australian \$	2,076	3,407	0.9685	1.0056

Interest rate risk

Information regarding interest rate risk exposure is set out in note 3.

Credit risk

Credit risk arises from the potential failure of counterparties to meet their obligations at maturity of contracts. This arises on derivative financial instruments with unrealised gains. Management only undertakes such contracts with major Australian banks and financial institutions.

Note 21. Contributed equity and reserves

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
(a) Ordinary shares, issued and fully paid	10,874	10,874

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

	2013		2012	
	Number of Shares	\$'000	Number of Shares	\$'000
(b) Movements in shares on issue				
Balance at 1 July	43,291,509	10,874	43,291,509	65,539
S258F capital reduction (note 21f)	-	-	-	(54,665)
Balance at 30 June	43,291,509	10,874	43,291,509	10,874

(c) Share rights

During 2013 the Company granted 500,000 (2012: 300,000) performance rights to senior executives under the terms of the Share Rights Plan. Refer note 15 for further details.

(d) Capital management

When managing capital, the Groups objective is to maintain optimal returns to shareholders and benefits for other stakeholders. The Group also aims to maintain a capital structure that delivers the lowest cost of capital available to its operations.

The Group adjusts the capital structure to take advantage of favourable costs of capital or high returns on assets. As the economic conditions change, the Group may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2013 and 2012.

The Group monitors capital through the gearing ratio (net debt/ total equity plus net debt) and currently targets a gearing ratio of between 15% and 35% while focus remains on reducing the Groups net debt position. The Group includes within net debt interest bearing loans and borrowings less cash and cash equivalents. The gearing ratios based on continuing operations at 30 June 2013 and 2012 were as follows:

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
Total borrowings	11,055	12,331
Less cash and cash equivalents	(693)	(1,225)
Net debt	10,362	11,106
Total equity	25,873	21,809
Total capital	36,235	32,915
Gearing ratio	29%	34%

The Group is not subject to any externally imposed capital requirements.

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
(e) Non-controlling interests		
Balance at 1 July	3,186	3,177
Gain/(Loss) on translation of overseas controlled entities	199	(98)
Share of net profit for the year	336	585
Dividends paid	(499)	(478)
Balance at 30 June	3,222	3,186

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 21. Contributed equity and reserves (continued)

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
(f) Retained earnings		
Balance at 1 July	6,289	(54,665)
S256F capital reduction (i)	–	54,665
Net profit for the year	3,483	6,260
Depreciation transfer on revaluation of buildings	29	29
Dividends paid	–	–
Balance at 30 June	9,801	6,289

(i) In accordance with Section 258F of the Corporations Act 2001, the Group reduced its contributed equity balance at 30 June 2012 by \$54,665,000 with an equal reduction of the accumulated losses balance. This accounted for the total accumulated losses at 1 July 2011, being share capital that was not represented by available assets following the disposal of the distribution business in 2009.

	Consolidated					Total \$'000
	Employee equity benefits reserve \$'000	Foreign currency translation reserve \$'000	Cash flow hedge reserve \$'000	Asset revaluation reserve \$'000	Equity settlement reserve \$'000	
(g) Reserves						
At 30 June 2011	299	(1,567)	(277)	2,800	–	1,255
Currency translation differences	–	(127)	–	–	–	(127)
Share-based payments	226	–	–	–	–	226
Net gain on cash flow hedge	–	–	135	–	–	135
Depreciation transfer for revaluation of buildings	–	–	–	(29)	–	(29)
At 30 June 2012	525	(1,694)	(142)	2,771	–	1,460
Currency translation differences	–	674	–	–	–	674
Share-based payments	209	–	–	–	–	209
Equity settlement	(360)	–	–	–	(202)	(562)
Net gain on cash flow hedge	–	–	224	–	–	224
Depreciation transfer on revaluation of buildings	–	–	–	(29)	–	(29)
At 30 June 2013	374	(1,020)	82	2,742	(202)	1,976

Nature and purpose of reserves

Employee equity benefits reserve

This reserve is used to record the value of share-based payments provided to employees and directors as part of their remuneration. Refer to note 15 for further details of these plans.

Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Cash flow hedge reserve

This reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge.

Asset Revaluation reserve

The asset revaluation reserve is used to record increases and decreases in the fair value of land and buildings (net of tax) to the extent that they offset one another. The reserve can only be used to pay dividends in limited circumstances.

Equity settlement reserve

The equity settlement reserve records the net difference between payment for shares upon the exercise of performance rights under the LTIP and the amount expensed in the profit and loss and recorded in the employee equity benefits reserve over the three year vesting period.

Note 22. Commitments and contingencies

	Consolidated	
	30 June 2013 \$'000	30 June 2012 \$'000
(a) Capital expenditure commitments		
Estimated capital expenditure contracted for at balance date, but not provided for payable:		
Not later than one year	48	230
	48	230
These capital expenditure commitments relate to an overhead crane and upgraded trailer.		
(b) Operating lease expenditure commitments		
Not later than one year	250	183
Later than one year, but not later than five years	252	151
Later than five years	-	-
	502	334

These operating lease commitments relate to motor vehicle leases and rent.

(c) Contingent liabilities

The directors draw the following contingent liabilities to the attention of users of the financial statements:

- Note 23 regarding the class order between certain subsidiaries and the Company.

Note 23. Related parties

A Director of the Company, Mr P J Cave, has an interest in and is a Director of Anchorage Capital Partners Pty Ltd.

The terms and conditions of any transactions with Directors and their Director related entities are no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-Director related entities on arm's length basis.

The total value of the transactions during the year with Director related entities were as follows:

Director	Director – related entity	Consolidated 2013 \$	Consolidated 2012 \$
P J Cave	Anchorage Capital Partners Pty Ltd	120,000	120,000

The above amounts were paid in relation to P J Cave's services in his capacity as a director and are included in Directors' remuneration in the Directors' Report.

Ultimate parent

Bisalloy Steel Group Limited is the ultimate parent Company.

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 23. Related parties (continued)

Investments

Name of parent	Country of Incorporation	Percentage of equity interest held by the Consolidated entity	Investment	Percentage of equity interest held by the Consolidated entity	Investment
		30 June 2013 %	30 June 2013 \$'000	30 June 2012 %	30 June 2012 \$'000
Name of parent					
Bisalloy Steel Group Limited	Australia				
Controlled entities					
Bisalloy Steels Pty Limited	Australia	100.00	3,801	100.00	3,801
PT Bima Bisalloy	Indonesia	60.00	245 [†]	60.00	245 [†]
Bisalloy Holdings (Thailand) Co Ltd	Thailand	85.00	510	85.00	510
Bisalloy (Thailand) Co Limited	Thailand	85.00	599 ⁺	85.00	599 ⁺
Bisalloy North America LLC	United States of America	100.00	–	100.00	–
Joint venture					
Bisalloy Jigang (Shandong) Steel Plate Co.,Ltd	People's Republic of China	33.33	935	33.33	935

[†] Investment is held by Bisalloy Steels Pty Limited

⁺ Investment is held by Bisalloy Holdings (Thailand) Co Limited

Entities subject to class order relief

Pursuant to Class Order 98/1418, relief has been granted to Bisalloy Steels Pty Limited from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports. As a condition of the Class Order, Bisalloy Steel Group Limited and Bisalloy Steels Pty Limited (the "closed" Group) entered into a Deed of Cross Guarantee on the 18th April, 2002. The effect of the deed is that Bisalloy Steel Group Limited has guaranteed to pay any deficiency in the event of winding up of the controlled entity. The controlled entity has also given a similar guarantee in the event that Bisalloy Steel Group Limited is wound up.

The consolidated statement of comprehensive income and statement of financial position of the entities which are members of the “Closed Group” are as follows:

	Closed Group 30 June 2013 \$'000	Closed Group 30 June 2012 \$'000
i. Consolidated Income Statement		
Profit from continuing operations before income tax	4,398	8,693
Income tax expense	(1,095)	(2,699)
Profit after income tax	3,303	5,994
Accumulated losses at the beginning of the year	(1,030)	(61,689)
S258F capital reduction	–	54,665
Dividends provided for or paid	–	–
Accumulated profits/(losses) at the end of the year	2,273	(1,030)
ii. Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	59	30
Trade and other receivables	9,846	16,300
Inventories	15,327	13,935
Derivative financial instruments	268	90
Other financial assets	763	728
Total current assets	26,263	31,083
Non-current assets		
Investments	1,689	1,771
Property, plant and equipment	16,400	16,638
Other financial assets	185	227
Total non-current assets	18,274	18,636
Total assets	44,537	49,719
Current liabilities		
Trade and other payables	15,036	20,379
Other liabilities	539	–
Provisions	1,821	1,692
Income tax payable	241	2,594
Derivative financial instruments	136	206
Total current liabilities	17,773	24,871
Non-current liabilities		
Interest bearing liabilities	11,055	12,331
Other liabilities	–	491
Provisions	339	376
Deferred tax liability	984	357
Total non-current liabilities	12,378	13,555
Total liabilities	30,151	38,426
NET ASSETS	14,386	11,293
Shareholders' equity		
Contributed equity	10,874	10,874
Reserves	1,239	1,449
Accumulated profits / (losses)	2,273	(1,030)
TOTAL SHAREHOLDERS' EQUITY	14,386	11,293

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 23. Related parties (continued)

The following table provides the total amount of transactions that have been entered into between the Group and related parties for the relevant financial year:

		Interest and management fees to related parties \$'000	Other \$'000	Amounts owed by related parties \$'000	Amounts owed to related parties \$'000
Related Party					
Bisalloy Jigang Steel Plate (Shandong) Co.,Ltd	2013	–	–	–	539
	2012	–	–	106	491

Terms and conditions of transactions with related parties

Sales to and purchase from related parties are made in arm's length transactions both at normal market price and on normal commercial terms.

Outstanding balances at year-end are unsecured.

The balance of the Groups investment of \$539,000 in Bisalloy Jigang Steel Plate (Shandong) Co, Ltd is to be paid by July 2013.

24. Events after the balance date

No significant events after the balance sheet date.

25. Auditors' remuneration

The auditor of Bisalloy Steel Group Limited is Ernst & Young.

	Consolidated	
	Year ended 30 June 2013 \$	Year ended 30 June 2012 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:		
– an audit or review of the financial report of the entity and any other entity in the consolidated Group	149,000	143,800
– tax compliance and advice	–	–
– assurance related	–	–
– other	–	–
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
– an audit or review of the financial report of any other entity in the consolidated Group	38,820	51,100
– tax compliance and advice	–	–
	187,820	194,900

Note 26. Key management personnel remuneration disclosures

(a) Details of key management personnel

(i) Directors

P J Cave	Non-executive Chairman
R Grellman	Non-executive Director
G Pettigrew	Non-executive Director
K Godson	Non-executive Director
R Terpening	Managing Director

(ii) Executives

D MacLaughlin	Chief Financial Officer and Company Secretary
M Sampson	Sales and Marketing Manager
M Bradmore	Operations Manager
T Matinca	Business Development and Strategy Manager

(b) Compensation of key management personnel

	Consolidated	
	2013 \$	2012 \$
Short-term	1,657,704	2,067,677
Long Service Leave	54,022	47,729
Post employment	131,231	231,735
Share based	208,825	225,779
Total	2,051,782	2,572,920

(c) Shares issued on exercise of performance rights

During the year 400,189 ordinary shares (2012 – nil) were acquired on-market and allocated to key management personnel on the exercise of vested performance rights.

(d) Performance rights holdings of key management personnel

	Balance at 1 July 2012	Granted during the year	Rights exercised during the year	Forfeited or Lapsed	Balance at 30 June 2013	Vested and exercisable	Unvested
Executives							
R Terpening	400,189	500,000	-400,189	-83,333	416,667	–	416,667
D MacLaughlin	166,667	–	–	-33,333	133,334	133,334	–
M Sampson	100,000	–	–	-16,667	83,333	–	83,333
M Bradmore	100,000	–	–	-16,667	83,333	–	83,333
T Matinca	100,000	–	–	-16,667	83,333	–	83,333
	866,856	500,000	-400,189	-166,667	800,000	133,334	666,666

Notes to the consolidated financial statements

for the year ended 30 June 2013

Note 26. Key management personnel remuneration disclosures (continued)

(e) Shareholdings of key management personnel

Shareholdings include shares held personally and through related parties.

	Balance at 30-Jun-12	Performance Rights Exercised	Other	Balance at 30-Jun-13
Directors				
P J Cave	8,364,360	–	(1,100,000)	7,264,360
K Godson	1,344,766	–	–	1,344,766
R Grellman	41,693	–	–	41,693
G Pettigrew	12,125	–	–	12,125
R Terpening	125,780	400,189	–	525,969
Executives				
D MacLaughlin	46,000	–	–	46,000
M Sampson	180	–	–	180
M Bradmore	572	–	–	572
T Matinca	6,000	–	–	6,000
	9,941,476	400,189	(1,100,000)	9,241,665

Note 27. Parent entity information

	30 June 2013 \$'000	30 June 2012 \$'000
Information relating to Bisalloy Steel Group Limited:		
Current assets	7	34
Total assets	4,166	34
Current liabilities	241	2,628
Total liabilities	241	35,938
Issued capital	10,874	10,874
Accumulated losses	(6,985)	(46,814)
Reserves	36	36
Total shareholder's equity	3,925	(35,904)
Profit/(Loss) of the parent entity	39,829	(189)
Total comprehensive income of the parent entity	39,829	(189)

Guarantees have been entered into by the Parent entity on behalf of Bisalloy Steels Pty Limited and Bisalloy (Thailand) Co Limited. There are no contingent liabilities or contractual commitments as at the reporting date.

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 consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
- (b) the financial statements and notes also comply with International Financial Reporting Standards (IFRS) as disclosed in note 2.
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- (d) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ending 30 June 2013.

On behalf of the Board



Robert Terpening
Managing Director

Sydney
21 August 2013

Independent auditor's report

to members of Bisalloy Steel Group Limited



Ernst & Young
680 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

Independent auditor's report to the members of Bisalloy Steel Group Limited

Report on the financial report

We have audited the accompanying financial report of Bisalloy Steel Group Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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 year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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 financial report.



Opinion

In our opinion:

- a. the financial report of Bisalloy Steel Group Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 6 to 10 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Bisalloy Steel Group Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Trent Van Veen
Partner
Sydney
21 August 2013

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows.

The information is current as at 31 July 2013

	Ordinary Shares	
	Number of Holders	Number of Shares
a. Distribution of equity securities		
The number of shareholders, by size of holding in each class of share are:		
1 – 1,000	660	404,040
1,001 – 5,000	716	1,709,074
5,001 – 10,000	150	1,101,294
10,001 – 100,000	166	4,639,258
100,001 and over	39	35,437,843
Total	1,731	43,291,509

The number of shareholders holding less than a marketable parcel of shares based on a share price of \$0.90 at the date of this report are	310	116,707
--	-----	---------

	Listed Ordinary Shares	
	Number of Shares	% of Ordinary Shares

b. Twenty largest shareholders

The names of the twenty largest holders of quoted shares are:

1. BALRON NOMINEES PTY LTD	7,498,489	17.32
2. RBC DEXIA INVESTOR SERVICES NOMINEES	6,750,208	15.59
3. ANCHORAGE (BSG) PTY LTD	6,707,373	15.49
4. PROSPECT CUSTODIAN LIMITED	2,187,641	5.05
5. NATIONAL NOMINEES LIMITED	1,713,354	3.96
6. SILVERSTREET PTY LTD	1,344,364	3.11
7. EVELIN INVESTMENTS PTY LTD	1,200,000	2.77
8. HSBC CUSTODY NOMINEES (AUST) LTD	1,164,792	2.69
9. METAL ONE CORPORATION	917,566	2.12
10. CLYDE BANK HOLDINGS (AUST) PTY LTD	605,635	1.40
11. INTERB INVESTMENTS PTY LTD	556,987	1.29
12. TERPENING PTY LTD (TERPENING SUPER FUND)	525,969	1.21
13. BALPIE PTY LIMITED	400,000	0.92
14. BALKIN PTY LTD (BALKIN SUPER FUND)	371,590	0.86
15. KILCONQUHAR SUPERANNUATION FUND PTY LTD	320,547	0.74
16. MERRILL LYNCH (AUST) NOMINEES PTY LTD	277,857	0.64
17. BLACK STORM LTD	220,000	0.51
18. BOTSIS HOLDINGS PTY LTD	200,000	0.46
19. DANIQUE INVESTMENTS PTY LTD	200,000	0.46
20. THE GENUINE SNAKE OIL COMPANY PTY LTD	180,028	0.42

	Fully Paid	
	Number of shares	%
c. Substantial Shareholders:		
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:		
David Balkin, Mr Peter Smaller, Mirond Holdings Pty Ltd, Smaller Holdings Pty Ltd, Balron Nominees Pty Ltd	7,870,079	18.18
Anchorage (BSG) Pty Limited and Mr Phillip Cave	7,264,360	16.78
RBC Dexia Investor Services	6,750,208	15.49
Prospect Custodian Limited	2,187,641	5.05
	24,072,288	55.61

d. Voting Rights:

All ordinary shares carry one vote per share without restriction.

Corporate Directory

REGISTERED OFFICE

18 Resolution Drive
Unanderra NSW 2526
Telephone: +61 (0)2 4272 0444
Facsimile: +61 (0)2 4272 0400
www.bisalloy.com.au
bismail@bisalloy.com.au

BANKERS

GE Commercial (Australasia)
Level 16
99 Walker Street
North Sydney NSW 2060
Telephone: +61 (0)2 9324 7276
Facsimile: +61 (0)3 8249 3783

AUDITORS

Ernst & Young
680 George Street
Sydney NSW 2000
Telephone: +61 (0)2 9248 5555
Facsimile: +61 (0)2 9248 5575

SHARE REGISTRY

Computershare
Yarra Falls
452 Johnston Street
Abbotsford VIC 3067
GPO Box 2975,
Melbourne VIC 3001
Telephone (within Australia):
1300 738 768
Telephone: +61 (0)3 9415 4377
Facsimile: +61 (0)3 9473 2500
Web: www.computershare.com

Annual General Meeting

The Group will hold its 2013 Annual General Meeting in the Blu Room at the Radisson Plaza Hotel located at 27 O'Connell Street, Sydney, NSW at 11:00 a.m. on Tuesday, 26 November 2013.

Copies of this report or further information can be obtained by e-mailing bismail@bisalloy.com.au or writing to the Company Secretary at the registered office. An electronic copy of this report is available on the Company's website.

