

BISALLOY STEEL GROUP LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Financial year ended 30 June 2010
Results for announcement to the market

				FY10 \$'000	FY09 * \$'000
Continuing operations					
Revenue	Down	19.6%	to	87,642	109,008
Profit before tax from continuing operations	Down	97.5%	to	763	30,029
Profit after tax from continuing operations	Down	98.1%	to	417	22,194
Profit attributable to members from continuing operations	Down	99.9%	to	29	21,775

* FY09 results based on continuing operations, excluding loss from Distribution business sold during the year. FY09 profit attributable to members included \$11.5m in foreign exchange gains from close out of par forward hedges.

				FY10 \$'000	FY09 \$'000
Total operations**					
Profit/(Loss) attributable to members from total operations	Up	100%	to	29	(4,311)

**Total operations include the loss from the Distribution business sold during the year to 30 June 2009.

Dividends	Amount per share	Franked amount per share
<u>Financial year ended 30 June 2010</u>		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
<u>Financial year ended 30 June 2009</u>		
Final dividend	Nil	Nil
Interim dividend	Nil	Nil
Record date for determining entitlements to the dividend	N/A	

	FY10	FY09
Other		
Net tangible asset backing per share	3.9cps	1.5cps

Overview

1. Bisalloy Steel Group Ltd ("the Group") delivered a FY10 EBITDA before FX of \$5.7m, which is in the upper range of guidance provided to the market. The full year result is impacted by significantly weaker market conditions which prevailed throughout calendar year 2009, with a gradual improvement in trading conditions and increasing opportunities from the beginning of the 2010 calendar year.

2. The break-even profit attributable to members for FY10 is a strong recovery from a loss to members at the half year ended 31 December 2009 of \$2.1m. The FY09 profit from continuing operations attributable to members of \$21.8m was inclusive of \$11.5m in foreign exchange gains, predominantly from close out of par forward hedges.
3. The Group renewed its finance facility with GE Capital through to October 2012, for a facility limit of \$32m.
4. Group borrowings reduced to \$18.1m at 30 June 2010, down from \$36.2m at 30 June 2009, driven by improvements in working capital and an equity raising in August 2009.
5. To supplement funding of working capital, the Group raised \$4.9m of equity capital through an unconditional placement of 28m ordinary shares to existing institutional investors and a new sophisticated investor at \$0.175 per share in August 2009.
6. The Group expects the improvement in quenched and tempered steel market conditions experienced during the second half of FY10 will continue into FY11.

Controlled entities acquired or disposed.

No material control over any entities was gained or disposed of during the financial year ended 30 June 2010.

Audit

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

**Consolidated statement of comprehensive income
Year ended 30 June 2010**

	Notes	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Continuing operations			
Revenue			
Sales of goods		87,621	108,975
Finance revenue	3(a)	21	33
		87,642	109,008
Cost of sales	3(c)	(76,019)	(84,167)
Gross profit		11,623	24,841
Other (expenses)/income		(482)	16,974
Distribution expenses		(629)	(783)
Marketing expenses		(1,534)	(1,788)
Occupancy expenses		(742)	(995)
Administrative expenses		(3,981)	(5,838)
Profit from continuing operations before tax, finance costs		4,255	32,411
Finance costs	3(b)	(3,492)	(2,382)
Profit from continuing operations before income tax		763	30,029
Income tax expense		(346)	(7,835)
Profit after tax from continuing operations		417	22,194
Discontinued operations			
Loss after tax from discontinued operations	4	-	(26,086)
Net profit/(loss) for the period		417	(3,892)
Other comprehensive income:			
Fair value gain on cash flow hedges		52	51
Foreign currency translation		356	3,012
Other comprehensive income for the period		408	3,063
Total comprehensive income for the period		825	(829)
Net Profit/(Loss) for the period is attributable to:			
Non-controlling interest		388	419
Owners of the parent		29	(4,311)
		417	(3,892)
Total comprehensive income for the period is attributable to:			
Non-controlling interest		541	628
Owners of the parent		284	(1,457)
		825	(829)

Consolidated statement of comprehensive income (continued)
Year ended 30 June 2010

	Notes	Year ended 30 June 2010	Year ended 30 June 2009
Earnings per share (cents per share)	6		
- basic earnings per share for the period		0.0	(3.0)
- basic earnings per share from continuing operations		0.0	15.2
- diluted earnings per share for the period		0.0	(3.0)
- diluted earnings per share from continuing operations		0.0	15.2
- dividends per share (fully franked at 30% tax rate)		-	-
- dividends per share (unfranked)		-	-

**Consolidated statement of financial position
30 June 2010**

	Notes	30 June 2010 \$'000	30 June 2009 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	1,347	1,784
Trade and other receivables		19,581	10,654
Inventories		12,913	27,939
Other current assets		268	605
Income tax receivable		-	67
Derivative financial instruments		111	-
Total current assets		34,220	41,049
Non current assets			
Deferred tax asset		1,367	1,414
Property, plant and equipment		12,248	12,201
Other financial assets		313	355
Total non current assets		13,928	13,970
Total assets		48,148	55,019
LIABILITIES			
Current liabilities			
Trade and other payables		15,613	8,187
Interest bearing loans and borrowings		716	36,242
Income tax payable		690	2,711
Provisions		1,529	1,202
Derivative financial instruments		38	-
Total current liabilities		18,586	48,342
Non current liabilities			
Interest bearing loans and borrowings		17,398	-
Provisions		285	366
Total non current liabilities		17,683	366
Total liabilities		36,269	48,708
NET ASSETS		11,879	6,311
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	5	65,539	60,627
Accumulated losses		(57,094)	(57,123)
Other reserves		102	(753)
Parent interests		8,547	2,751
Non-controlling interests		3,332	3,560
TOTAL EQUITY		11,879	6,311

**Consolidated statement of cash flows
Year ended 30 June 2010**

	Notes	Year ended 30 June 2010 \$'000	Year ended 30 June 2009 \$'000
Cash flows from operating activities			
Receipts from customers		83,588	257,954
Payments to suppliers and employees		(63,848)	(248,313)
Interest received		21	41
Borrowing costs		(3,492)	(6,582)
Income tax paid		(2,274)	261
Net cash inflow from operating activities	7(b)	13,995	3,361
Cash flows from investing activities			
Proceeds from disposal of distribution business (net of cash disposed)		-	73,116
Payments for property, plant and equipment		(950)	(2,331)
Net cash (outflow)/inflow from investing activities		(950)	70,785
Cash flows from financing activities			
Payment of finance lease liabilities		-	(543)
Repayment of borrowings		(18,128)	(93,921)
Proceeds from issue of ordinary shares (net of issue costs)		4,912	19,694
Dividends paid to non-controlling interests		(266)	-
Net cash outflow from financing activities		(13,482)	(74,770)
Net decrease in cash and cash equivalents		(437)	(624)
Cash and cash equivalents at the beginning of year		1,784	2,408
Cash and cash equivalents the end of year	7(a)	1,347	1,784

Consolidated statement of changes in equity
Year ended 30 June 2010

	<i>Attributable to equity holders of the Company</i>							
	Issued capital	Employee equity benefits reserve	Net loss/ (gain) on cash flow hedges	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 30 June 2009	60,627	24	-	(777)	(57,123)	2,751	3,560	6,311
Profit/(Loss) for the period	-	-	-	-	29	29	388	417
Other comprehensive income	-	-	52	203	-	255	153	408
Redesignation of FCTR from non-controlling interests	-	-	-	503	-	503	(503)	-
Total comprehensive income	-	-	52	706	29	787	38	825
Transactions with owners in their capacity as owners:								
Proceeds from issue of share capital	4,941	-	-	-	-	4,941	-	4,941
Transaction costs on share issue	(29)	-	-	-	-	(29)	-	(29)
Share based payments	-	97	-	-	-	97	-	97
Dividends paid to non-controlling interests	-	-	-	-	-	-	(266)	(266)
At 30 June 2010	65,539	121	52	(71)	(57,094)	8,547	3,332	11,879
At 30 June 2008	40,933	509	(51)	(3,580)	(52,812)	(15,001)	2,932	(12,069)
Profit/(Loss) for the period	-	-	-	-	(4,311)	(4,311)	419	(3,892)
Other comprehensive income	-	-	51	2,803	-	2,854	209	3,063
Total comprehensive income	-	-	51	2,803	(4,311)	(1,457)	628	(829)
Transactions with owners in their capacity as owners:								
Proceeds from issue of share capital	20,914	-	-	-	-	20,914	-	20,914
Transaction costs on share issue	(1,220)	-	-	-	-	(1,220)	-	(1,220)
Share based payments	-	(485)	-	-	-	(485)	-	(485)
At 30 June 2009	60,627	24	-	(777)	(57,123)	2,751	3,560	6,311

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

1. Summary of significant accounting policies

a. Basis of preparation

This Appendix 4E preliminary final report (Appendix 4E) for the year ended 30 June 2010 has been prepared in accordance with the ASX Listing Rules.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for assets and liabilities classified as held for sale, which are measured at fair value less costs to sell and derivative financial instruments which have been measured at fair value.

The Appendix 4E does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the Appendix 4E be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by the Company during the year ended 30 June 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Appendix 4E is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the class order applies.

Discontinued operations

On 24 June 2008 the Group announced it had received an offer to acquire its Distribution businesses. The sale of the Distribution businesses was completed on 5 November 2008. The Distribution businesses therefore represent discontinued operations.

New Accounting Standards and Interpretations

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

- AASB 127 *Consolidated and Separate Financial Statements (revised 2008)* effective 1 July 2009
- AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* effective 1 July 2009
- AASB 2008-1 *Amendments to Australian Accounting Standard – Share-based Payments: Vesting Conditions and Cancellations* effective 1 July 2009
- AASB 7 *Financial Instruments: Disclosures* effective 1 July 2009
- AASB 8 *Operating Segments* effective 1 July 2009
- AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 July 2009
- AASB 123 *Borrowing Costs (revised 2007)* effective 1 July 2009

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

b. Statement of compliance

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

c. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, being Bisalloy Steel Group Limited, and its subsidiaries (“the Group”) as at the balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Non-controlling interests (formerly minority interests) represent the portion of profit or loss and net assets in subsidiaries, not held by the Group and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders’ equity.

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

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

Significant accounting estimates and assumptions

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

Impairment of assets held for sale

In accordance with AASB 5, any impairment loss, where the fair value less costs to sell reduces the carrying value of the assets of the disposal group, were allocated to reduce the assets of the disposal group in the following order:

- first to reduce the carrying value of any goodwill attached to the disposal group;
- then, to reduce non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset; and
- then reduce the carrying amount of current assets in order of least liquid to most liquid.

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.

d. Significant accounting judgements, estimates and assumptions (continued)*Impairment of other non-financial assets*

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

Share-based payment transactions

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

	Year Ending 30 June 2010 \$'000	Year Ending 30 June 2009 \$'000
2. Dividends:		
Dividends paid		
Interim 2010 - \$nil (Interim 2009 - \$nil)	-	-
Final 2009 dividend - \$nil (2008: \$nil)	-	-
3. Revenues and expenses:		
(a) Finance revenue		
Bank interest receivable	21	33
(b) Finance costs		
Bank interest and borrowing costs	3,492	2,382
(c) Depreciation, amortisation and costs of inventories sold included in income statement		
Depreciation and amortisation	904	1,179
Costs of inventories sold recognised as an expense (i)	76,019	84,167
(d) Lease payment included in income statement		
Rental – operating leases	281	286
(e) Employee benefits expense		
Wages and salaries	7,943	8,552
Termination payments	-	543
Workers' compensation costs	164	216
Superannuation costs	491	561
Expense of share-based payments	97	5
Write-back of lapsed employee options	-	(490)
	<u>8,695</u>	<u>9,387</u>
<p>(i) During the year the directors have reassessed and reclassified certain components of other expenses into cost of inventories sold. The comparative figures have been restated accordingly.</p>		

4. Discontinued operations

On 24 June 2008 the Company announced it had received an offer to acquire its Distribution businesses. The sale was completed 5 November 2008. The Distribution businesses therefore represent discontinued operations. The post tax loss including the loss recognised on measurement of the assets of the disposal group to fair value less costs to sell have been recognised on the consolidated income statement as a single line item.

The results of the discontinued operations for the period are presented below	CONSOLIDATED			
	2010		2009	
	Distribution \$'000	Total \$'000	Distribution \$'000	Total \$'000
Revenue	-	-	110,481	110,481
Expenses	-	-	(128,863)	(128,863)
Gross loss	-	-	(18,382)	(18,382)
Finance expense	-	-	(4,199)	(4,199)
Pre-tax loss	-	-	(22,581)	(22,581)
Loss on sale/recognised on the remeasurement to fair value	-	-	(8,991)	(8,991)
Loss before tax from discontinued operation	-	-	(31,572)	(31,572)
Income tax benefit:				
- related to pre-tax loss	-	-	5,486	5,486
Net loss attributable to discontinued operation	-	-	(26,086)	(26,086)

Loss on sale/recognised on the remeasurement to fair value is reconciled as:

Initial proceeds (net of cash sold)	80,190
Completion account based settlement	(662)
Financial derivative settlement (a)	(6,412)
Sale proceeds (net of cash sold)	73,116
Recognition of additional DTA	61
Carrying value of net assets disposed (net of cash sold)	(79,323)
Write-back of foreign currency translation reserve on disposal	(2,845)
	(8,991)

- (a) As part of the sale of the distribution businesses, an additional discount was provided to the purchaser in respect of certain unhedged purchase orders placed in certain foreign currencies at the time of sale. Settlement of this discount was contingent on the exchange rate at which the defined purchase orders were paid by the purchaser. The final realised value of this discount amounted to \$6,412,000.

4. Discontinued operations (continued)

	Year Ended 30 June 2010 \$'000	Year Ended 30 June 2009 \$'000
The net cash flows incurred by the distribution operations are as follows:		
Operating	-	(8,753)
Investing	-	15,095
Intercompany Financing	-	(6,001)
Net cash inflow	-	341

	30 June 2010 \$'000	30 June 2009 \$'000
5. Issued capital:		
<i>Ordinary shares</i>		
<i>Issued and fully paid</i>	65,539	60,627
	Thousands	\$'000
<i>Movement in ordinary shares on issue</i>		
Balance as at 1 July 2008	104,568	40,933
Issued during the year	83,655	19,694
Balance as at 1 July 2009	188,223	60,627
Issued during the year (Refer note 8a)	28,233	4,912
Balance as at 30 June 2010	216,456	65,539
6. Earnings per share:		
Calculation of the following in accordance with AASB 133:		
<i>For basic and diluted earnings per share:</i>		
Profit attributable to equity holders from continuing operations	417	22,194
Net loss attributable to equity holders from discontinued operations	-	(26,086)
Net profit/(loss) for the period	417	(3,892)
Net profit attributable to non-controlling interests	388	419
Net profit/(loss) attributable to equity holders of the parent	29	(4,311)
	30 June 2010 Thousands	30 June 2009 Thousands
Weighted average number of ordinary shares for basic earnings per share	212,927	142,910
Effects of dilution:		
Performance rights	1,572	657
Adjusted weighted average number of ordinary shares for diluted earnings per share	214,499	143,567
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	522

	Year Ended 30 June 2010 \$'000	Year Ended 30 June 2009 \$'000
7. Cash and cash equivalents		
Cash at bank and in hand	1,347	1,784
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand	1,347	1,784
	1,347	1,784
b. Reconciliation of net loss after income tax to net cash flows from operations		
Net profit/(loss) after income tax	417	(3,892)
Non cash items		
Loss on disposal of business	-	8,991
Movements in assets and liabilities of disposal group	-	4,380
Depreciation and amortisation	904	1,179
Foreign currency translation	355	-
Share-based payments expense	97	5
Write back of lapsed employee options	-	(490)
Change in operating assets and liabilities		
(Increase)/decrease in receivables & other assets	(8,927)	21,934
Decrease/(increase) in inventories	15,026	(16,230)
(Increase)/decrease in tax assets & liabilities	(1,928)	2,610
Decrease in prepayments	379	228
Increase/(decrease) in trade creditors	7,426	(14,899)
Increase/(decrease) in provisions	246	(455)
Net cash from operating activities	13,995	3,361
c. Non-cash financing activities		
<i>Dividend reinvestment plan</i>		
No shares were issued under the dividend reinvestment plan during the financial years ended 30 June 2009 or 30 June 2010.		
8. Significant events		
<i>(a) Share Placement</i>		
On 31 August 2009, the Company placed 28,233,320 ordinary shares with existing institutional investors and a new sophisticated investor to raise \$4.9m before costs. The placement issue raised \$4.9m after costs. The net proceeds of the capital raising have been used to fund working capital and for general corporate purposes. The funds were received in full by the Company by 23 September 2009.		

9. Commitments and contingencies

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

10. Subsequent events

There are no subsequent events as at the reporting date.