



BLUESCOPE STEEL LIMITED
FINANCIAL REPORT 2011/2012

BlueScope Steel Limited ABN 16 000 011 058
Annual Financial Report - 30 June 2012

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BlueScope Steel Limited
Statement of comprehensive income
For the year ended 30 June 2012

		Consolidated	
		2012	2011
	Notes	\$M	\$M
Revenue from continuing operations	6	8,472.5	8,991.3
Other income	7	113.2	19.8
Changes in inventories of finished goods and work in progress		(411.4)	223.6
Raw materials and consumables used		(5,032.3)	(5,797.4)
Employee benefits expense		(1,397.1)	(1,493.1)
Depreciation and amortisation expense	8	(323.3)	(347.8)
Impairment of non-current assets	8	(319.9)	(925.9)
Freight on external despatches		(529.8)	(586.6)
External services		(884.5)	(935.6)
Restructuring costs	8	(403.6)	1.7
Finance costs	8	(120.4)	(106.1)
Other expenses		(192.7)	(267.2)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method	45, 46	53.2	73.3
Loss before income tax		(976.1)	(1,150.0)
Income tax (expense) benefit	9	(50.2)	103.9
Loss from continuing operations		(1,026.3)	(1,046.1)
Profit/(loss) from discontinued operations after income tax	10	(1.6)	5.7
Net loss for the year		(1,027.9)	(1,040.4)
Other comprehensive income			
Gain (loss) on cash flow hedges taken to equity	36(a)	-	(0.6)
Gain (loss) on cash flow hedges transferred to inventory	36(a)	-	1.1
Net gain (loss) on hedges of subsidiaries	36(a)	(2.4)	(13.0)
Exchange differences on translation of foreign operations		43.1	(218.8)
Exchange differences transferred to profit on translation of foreign operations disposed	36(a)	11.6	-
Actuarial gain (loss) on defined benefit superannuation plans	36(b)	(278.7)	(4.9)
Income tax (expense) benefit on items of other comprehensive income	9	59.0	3.4
Other comprehensive loss for the year		(167.4)	(232.8)
Total comprehensive loss for the year		(1,195.3)	(1,273.2)
Profit (loss) is attributable to:			
Owners of BlueScope Steel Limited		(1,043.5)	(1,054.2)
Non-controlling interests		15.6	13.8
		(1,027.9)	(1,040.4)
Total comprehensive loss for the year is attributable to:			
Owners of BlueScope Steel Limited		(1,212.5)	(1,272.1)
Non-controlling interests		17.2	(1.1)
		(1,195.3)	(1,273.2)
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company		Cents	Cents
Basic earnings per share	49	(39.0)	(48.8)
Diluted earnings per share	49	(39.0)	(48.8)
Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	49	(39.1)	(48.6)
Diluted earnings per share	49	(39.1)	(48.6)

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Statement of financial position
As at 30 June 2012

		Consolidated	
	Notes	2012	2011
		\$M	\$M
ASSETS			
Current assets			
Cash and cash equivalents	11	214.5	172.2
Receivables	12	952.9	1,026.8
Inventories	13	1,337.4	1,947.4
Intangible assets	14	5.6	18.2
Other	16	56.7	57.5
Total current assets		2,567.1	3,222.1
Non-current assets			
Receivables	17	42.2	22.7
Inventories	18	71.6	81.4
Investments accounted for using the equity method	19	117.1	142.0
Property, plant and equipment	20	3,295.6	3,500.6
Deferred tax assets	21	189.0	160.8
Intangible assets	22	448.3	660.7
Other	23	2.6	2.7
Total non-current assets		4,166.4	4,570.9
Total assets		6,733.5	7,793.0
LIABILITIES			
Current liabilities			
Payables	24	1,049.1	1,156.6
Borrowings	25	144.9	165.7
Current tax liabilities	26	72.7	23.1
Provisions	27	416.2	399.3
Deferred income	28	117.6	133.5
Derivative financial instruments	15	1.7	-
Total current liabilities		1,802.2	1,878.2
Non-current liabilities			
Payables	29	7.5	6.9
Borrowings	30	453.5	1,074.2
Deferred tax liabilities	31	18.7	69.1
Provisions	32	236.7	193.5
Retirement benefit obligations	33	432.0	170.7
Deferred income	34	4.1	4.3
Total non-current liabilities		1,152.5	1,518.7
Total liabilities		2,954.7	3,396.9
Net assets		3,778.8	4,396.1
EQUITY			
Contributed equity	35	4,650.1	4,073.8
Reserves	36(a)	(267.0)	(324.8)
Retained profits (loss)	36(b)	(703.8)	559.8
Parent entity interest		3,679.3	4,308.8
Non-controlling interest		99.5	87.3
Total equity		3,778.8	4,396.1

The above statement of financial position should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Statement of changes in equity
For the year ended 30 June 2012

	Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
Consolidated - 30 June 2012						
Balance at 1 July 2011		4,073.8	(324.8)	559.8	87.3	4,396.1
Profit (loss) for the period		-	-	(1,043.5)	15.6	(1,027.9)
Other comprehensive income (loss)		-	51.4	(220.4)	1.6	(167.4)
Total comprehensive loss for the year		-	51.4	(1,263.9)	17.2	(1,195.3)
Transactions with owners in their capacity as owners:						
Shares issued						
- General Employee Share Plan	35(c), 36(a)	0.2	(0.3)	-	-	(0.1)
- Share Plan Retention awards	35(c)	11.3	-	-	-	11.3
- Capital raisings	35(c)	600.0	-	-	-	600.0
Transaction costs on share issues	35(c)	(23.9)	-	-	-	(23.9)
Share-based payment expense	36(a)	-	7.0	-	-	7.0
Dividends declared		-	-	-	(5.0)	(5.0)
Treasury shares	35(e)	(11.3)	-	-	-	(11.3)
Other		-	(0.3)	0.3	-	-
		576.3	6.4	0.3	(5.0)	578.0
Balance at 30 June 2012		4,650.1	(267.0)	(703.8)	99.5	3,778.8

	Notes	Contributed equity \$M	Reserves \$M	Retained earnings \$M	Non- controlling interests \$M	Total \$M
Consolidated - 30 June 2011						
Balance at 1 July 2010		4,032.4	(118.4)	1,747.3	94.4	5,755.7
Profit (loss) for the period		-	-	(1,054.2)	13.8	(1,040.4)
Other comprehensive income (loss)		-	(212.6)	(5.3)	(14.9)	(232.8)
Total comprehensive loss for the year		-	(212.6)	(1,059.5)	(1.1)	(1,273.2)
Transactions with owners in their capacity as owners:						
Shares issued						
- Dividend Reinvestment Plan	35(c)	41.3	-	-	-	41.3
- General Employee Share Plan	35(c), 36(a)	0.3	(0.3)	-	-	-
- Exercise of share rights	35(c), 36(a)	-	-	-	-	-
Transaction costs on share issues	35(c)	(0.3)	-	-	-	(0.3)
Share-based payment expense	36(a)	-	6.6	-	-	6.6
Dividends declared	36(b)	-	-	(128.0)	(6.0)	(134.0)
Tax credits recognised directly in equity	35(c)	0.1	-	-	-	0.1
Other		-	(0.1)	-	-	(0.1)
		41.4	6.2	(128.0)	(6.0)	(86.4)
Balance at 30 June 2011		4,073.8	(324.8)	559.8	87.3	4,396.1

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

BlueScope Steel Limited
Statement of cash flows
For the year ended 30 June 2012

	Notes	Consolidated	
		2012 \$M	2011 \$M
Cash flows from operating activities			
Receipts from customers		9,032.3	9,616.9
Payments to suppliers and employees		(8,776.7)	(9,630.1)
		<u>255.6</u>	<u>(13.2)</u>
Associate dividends received		4.9	3.3
Joint venture partnership distributions received		78.5	131.9
Interest received		3.2	7.2
Other revenue		15.9	19.9
STP Government grant	7(a)	100.0	-
Finance costs paid		(109.2)	(108.3)
Income taxes (paid) received		<u>(81.5)</u>	<u>(12.5)</u>
Net cash (outflow) inflow from operating activities	47	<u>267.4</u>	<u>28.3</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(215.5)	(387.2)
Payments for intangibles		(14.0)	(14.8)
Payments for investments in joint venture partnerships		(7.0)	(1.7)
Payments for investments in business assets		-	(0.4)
Proceeds from sale of property, plant and equipment		11.8	31.9
Proceeds from sale of subsidiary, net of cash disposed		140.0	-
Repayment of loans by related parties		<u>5.0</u>	<u>5.7</u>
Net cash (outflow) inflow from investing activities		<u>(79.7)</u>	<u>(366.5)</u>
Cash flows from financing activities			
Proceeds from issues of shares	35(c)	600.0	-
Capital share raising costs	35(c)	(23.9)	(0.3)
Proceeds from borrowings		10,720.9	9,347.5
Repayment of borrowings		(11,440.2)	(8,981.5)
Dividends paid to Company's shareholders	37(d)	-	(86.7)
Dividends paid to minority interests in subsidiaries		<u>(5.0)</u>	<u>(6.0)</u>
Net cash inflow (outflow) from financing activities		<u>(148.2)</u>	<u>273.0</u>
Net increase (decrease) in cash and cash equivalents		39.5	(65.2)
Cash and cash equivalents at the beginning of the financial year		171.2	249.3
Effects of exchange rate changes on cash and cash equivalents		<u>1.9</u>	<u>(12.9)</u>
Cash and cash equivalents at end of financial year	11	<u>212.6</u>	<u>171.2</u>
Financing arrangements	30		
Non-cash investing and financing activities	48		

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements include the consolidated entity consisting of BlueScope Steel Limited and its subsidiaries (the 'Group').

(a) Basis of preparation

This financial report is a general purpose financial report, prepared by a for-profit entity, in accordance with the requirements of the *Australian Corporations Act 2001*, Accounting Standards applicable in Australia and other authoritative pronouncements of the Australian Accounting Standards Board.

(i) Compliance with IFRS

The consolidated financial statements of the BlueScope Steel Limited Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2011:

- AASB 124 (Revised) *AASB 124 Related Party Disclosures (December 2009)*
- AASB 2009-12 *Amendments to Australian Accounting Standards*
- AASB 2010-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 2010-5 *Amendments to Australian Accounting Standards*
- AASB 2010-6 *Amendments to Australian Accounting Standards - Disclosures on Transfers of Financial Assets*
- AASB 2010-9 *Amendments to Australian Accounting Standards - Severe Hyperinflation and Removal of Fixed Dates for First-time adopters*
- AASB 2011-5 *Amendments to Australian Accounting Standards - Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation*
- AASB 1054 - *Australian Additional Disclosures*

The adoption of the above standards and interpretations did not have any impact on the financial position and performance of the Group, except for minor changes to the disclosures in the financial report. The major impact arose from the AASB 2010-6 amendment which requires increased disclosure requirements for transactions involving the transfers of financial assets which are not derecognised from the financial statements. Additional disclosures around the BlueScope Distribution receivable securitisation program have been provided in note 12(f).

(iii) Early adoption of new accounting standards

The Group has not elected to early adopt any of the standards set out under '(b) New accounting standards and interpretations' for the current reporting period.

(iv) Historical cost convention

These financial statements have been prepared under the historical cost convention, except for derivative financial instruments which have been measured at fair value.

(v) Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

1 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations

Certain new Accounting Standards and interpretations have been published that are not mandatory for 30 June 2012 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2015 based on the proposed AASB 9 amendments)*

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will impact accounting for available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. These changes are not expected to have an impact on the amount recognised in the Group's financial statements.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

- (ii) *AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010 2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements (effective from 1 July 2013)*

On 30 June 2010, the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. BlueScope Steel Limited is listed on the ASX and is not eligible to adopt the new Australian Accounting Standards Reduced Disclosure Requirements. The two standards will therefore have no impact on the financial statements of the Group.

- (iii) *AASB 119 Amendments to Australian Accounting Standards Employee Benefits (effective from 1 July 2013)*

The AASB has issued an amended AASB 119 *Employee Benefits* which will change how the Group will account for its defined benefit pension plans in relation to the expected returns on plan assets. Fund assets will be required to produce a credit to income based on government bond yields irrespective of the actual composition of fund assets held. The difference between actual returns and the amount reported in the profit and loss will permanently bypass the profit and loss by being recorded as an actuarial variance. Actuarial gains and losses will continue to be recorded in other comprehensive income. These amendments are expected to have a significant impact on the Group's profit and loss, given government bond yields are currently lower than the actuarial estimation of the expected return on plan assets (refer note 33).

In addition to the increase in the defined benefit pension plan expense, short and long term benefits will now be distinguished based on the expected timing of settlement, rather than employee entitlement. The Group will now be required to discount to present value annual leave which is not expected to be settled within 12 months.

The Group will apply this amendment from 1 July 2013.

1 Summary of significant accounting policies (continued)

(iv) AASB 10 Consolidated Financial statements (effective from 1 January 2013)

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 *Interpretation 112 Consolidation - Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. A detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules has been performed. The Group does not expect the new standard to have a significant impact on the entities required to be consolidated or the financial statements.

(v) AASB 11 Joint Arrangements (effective from 1 January 2013)

AASB 11 replaces AASB 131 *Interests in Joint Ventures* and *Interpretation 113 Jointly Controlled Entities - Non-monetary Contributions by Venturers*. 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, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

The Group's investment in joint venture partnerships will be classified as joint ventures under the new rules. As the Group already applies the equity method in accounting for these investments, AASB 11 will not have any impact on the amounts recognised in its financial statements.

(vi) AASB 12 Disclosure of Interests in Other Entities (effective from 1 July 2013)

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 judgements 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.

(vii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 July 2013)

AASB 13 was released in September 2011. 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 provides guidance on how to determine fair value under IFRS when fair value is required or permitted by IFRS. Application of this definition may result in different fair values being determined for the relevant assets. AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined. It explains how to measure fair value and aims to enhance fair value disclosures. The Group does not expect its current measurement techniques to materially change as a result of the new standard. However, application of the new standard will impact the type of information disclosed in the notes to the consolidated financial statements.

(viii) AASB 2011-9 Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income (effective from 1 July 2012)

This Standard 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. The standard is expected to have an impact on the Group's classification of items currently in other comprehensive income. The Group will apply this amendment from 1 July 2012.

1 Summary of significant accounting policies (continued)

(ix) Annual Improvements to IFRS 2009-2011 Cycle (effective from 1 July 2013)

This standard sets out amendments to International Financial Reporting Standards (IFRSs) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process.

The following items are addressed by this standard:

- IFRS 1 *First-time Adoption of International Financial Reporting Standards* - Repeated application of IFRS1 and Borrowing costs
- IAS 1 *Presentation of Financial Statements* - Clarification of the requirements for comparative information
- IAS 16 *Property, Plant and Equipment* - Classification of servicing equipment
- IAS 32 *Financial Instruments: Presentation* - Tax effect of distribution to holders of equity instruments
- IAS 34 *Interim Financial Reporting* - Interim financial reporting and segment information for total assets and liabilities

The standard is not expected to have a material impact on the financial statements.

The following further Accounting Standards issued but not yet effective, which when effective, will have no impact on the financial statements of the Group are as follows:

- AASB 2011-4 *Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements* (effective 1 July 2013)
- AASB 1048 *Interpretation of Standards* (effective 1 July 2012)
- AASB 2010-8 *Amendments to Australian Accounting Standards - Deferred tax : Recovery of Underlying Assets* (effective 1 July 2012)
- AASB *Interpretation 20 Stripping costs in the Production Phase of a Surface Mine* (effective 1 July 2013)
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities* (effective 1 July 2015)
- AASB 2012-4 *Amendments to Australian Accounting Standards - Government Loans* (effective 1 July 2013)
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle* (effective 1 July 2015)

(c) Parent entity financial information

The financial information for the parent entity, BlueScope Steel Limited, disclosed in note 51 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of BlueScope Steel Limited.

(ii) Tax consolidation legislation

BlueScope Steel Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, BlueScope Steel Limited, and the controlled entities in the tax consolidated Group account for their own current and deferred tax amounts. These tax amounts are measured in a systematic manner that is consistent with the broad principles of AASB 112 *Income Taxes* ('Group allocation approach').

In addition to its own current and deferred tax amounts, BlueScope Steel Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 51.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

1 Summary of significant accounting policies (continued)

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('Company' or 'parent entity') as at 30 June 2012 and the results of all subsidiaries for the year then ended. BlueScope Steel Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to note 1(k)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 45).

The Group's share of its associates' post acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates in the consolidated financial statements reduce the carrying amount of the investment.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iii) Joint venture entities

The interests in joint venture partnerships are accounted for in the financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnerships are recognised in profit or loss, and the share of post acquisition movements in reserves is recognised in other comprehensive income. Details relating to the partnership are set out in note 46.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

1 Summary of significant accounting policies (continued)

(iv) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of BlueScope Steel Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(e) Segment reporting

Operating segments are reported in a manner which is materially consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Managing Director and Chief Executive Officer.

(f) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is BlueScope Steel Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on available-for-sale financial assets are included in equity until such time as the available-for-sale asset is sold and the translated amount is reported in the profit and loss.

(iii) Foreign operations

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of foreign entities are treated as assets and liabilities of the foreign entities and translated at the closing rate.

1 Summary of significant accounting policies (continued)

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. This is considered to have occurred when legal title of the product is transferred to the customer and the Group is no longer responsible for the product. The point at which title is transferred is dependent upon the specific terms and conditions of the contract under the sale.

(ii) Rendering of services

Contract revenue is recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where the outcome of the contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable the costs will be recovered, revenue is recognised to the extent of costs incurred.

(iii) Interest income

Interest income is recognised using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which 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.

(iv) Dividends

Dividends are recognised as revenue when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence, (refer to note 1(l)).

(h) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(i) Income tax and other taxes

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

1 Summary of significant accounting policies (continued)

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

BlueScope Steel Limited and its wholly-owned Australian controlled entities have entered into a tax sharing and funding agreement in relation to their participation in the tax consolidation regime. As a consequence, these entities are taxed as a single entity and the deferred tax assets and liabilities of these entities are set off in the consolidated financial statements.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Other taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority are presented as operating cash flows.

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

(j) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement. For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of IFRIC 4.

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

1 Summary of significant accounting policies (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

(k) Business combinations

The acquisition method of accounting is used to account for all business combinations, excluding business combinations involving entities or businesses under common control which are transferred using the underlying carrying values of the entity being acquired regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition-date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Restructuring costs associated with a business combination are brought to account on the basis described in note 1(ac).

(l) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The 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 which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Refer to note 4 for impairment testing methodology and key assumptions.

Refer to notes 20 and 22 for a detailed allocation of goodwill and intangible assets with indefinite useful lives to cash generating units (CGUs) and impairment losses and reversals recognised in the current period.

(m) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days.

1 Summary of significant accounting policies (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(o) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to purchases of raw materials. Costs are assigned to inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(p) Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits and financial assets, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

(q) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting date.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

1 Summary of significant accounting policies (continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (notes 12 and 17).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available for sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term. Assets in this category are classified as non-current assets unless management intends to dispose of the investment within 12 months of the end of the reporting period, in which case they are classified as current assets.

Financial assets - reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Loans and receivables and held-to-maturity investments are subsequently carried at amortised cost using the effective interest method.

Available for sale financial assets and financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

1 Summary of significant accounting policies (continued)

Details on how the fair value of financial instruments is determined are disclosed in note 3.

Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount, including working capital, and the present value of estimated future cash flows discounted at the financial assets original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in profit or loss.

(r) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in a foreign operation (net investment hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 15. Movements in the hedging reserve in shareholder's equity are shown in note 36. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(ii) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Amounts accumulated in the hedging reserve are reclassified to profit or loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in the hedging reserve are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation in the case of fixed assets.

1 Summary of significant accounting policies (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in the hedging reserve at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in the hedging reserve is immediately reclassified to profit or loss.

(iii) Net investment hedges

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expenses.

Gains and losses accumulated in the foreign currency translation reserve are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(s) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to allocate their cost over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The useful lives of major categories of property, plant and equipment are as follows:

<i>Category</i>	<i>Useful life</i>
Buildings	Up to 40 years
Plant, machinery and equipment	Up to 40 years

The assets' useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(l)).

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These are included in profit or loss on a net basis as either income (a gain) or an expense (a loss).

(t) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1 Summary of significant accounting policies (continued)

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose (note 22).

(ii) Patents, trademarks and other rights

Patents, trademarks and other rights are carried at cost less accumulated amortisation and impairment losses. Amortisation on patents, trademarks and other rights that have finite lives is calculated using the straight-line method to allocate the cost over their estimated useful lives.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over the period of expected benefit.

(iv) IT development software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 10 years.

IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

(v) Customer relationships

Customer relationships and items of similar substance are only recognised as an intangible asset if they are acquired as part of a business combination and meet the recognition criteria as set out in the business combinations accounting policy (refer to note 1(k)).

When recognised, such items are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Amortisation on customer relationships with finite lives is calculated using the straight-line method to allocate the asset carrying amount over its estimated useful life.

(u) Trade and other payables

These amounts are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 62 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

1 Summary of significant accounting policies (continued)

(v) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs and are consequently recognised in profit or loss over the term of the associated borrowing.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

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 end of the reporting period.

(w) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is, where applicable, the interest rate applicable to associated borrowings or the weighted average interest rate applicable to the Group's borrowings outstanding during the period.

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

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 relating to any provision is presented in profit or loss net of any reimbursement.

(y) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non monetary benefits, annual leave and other employee benefits expected to be settled within 12 months of the reporting period, are measured at the amounts expected to be paid when the liabilities are settled. These short-term obligations are recognised as provisions for employee benefits, except accrued wages and salaries, which is presented as an other payable due to the increased certainty around the timing of the attached cash outflows. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Other long-term employee benefit obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

1 Summary of significant accounting policies (continued)

(iii) Retirement benefit obligations

All employees of the Group are entitled to benefits from the Group's superannuation plans on retirement, disability or death. The Group has both defined benefit and defined contribution plans. The defined benefit plans provide defined lump sum benefits based on years of service and final average salary. The defined contribution plans receive fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the statement of financial position and is measured as the present value of the defined benefit obligation at the end of the reporting period less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the end of the reporting period, calculated half yearly by independent actuaries using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income.

Past service costs are recognised immediately in profit or loss, unless the changes to the superannuation plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Contributions to the defined contribution fund are recognised as an expense as they become payable.

(iv) Share-based payments

The Group provides benefits in the form of share-based payment transactions to employees. Information relating to these schemes is set out in note 50 and the 30 June 2012 Remuneration Report.

There are currently three plans in place providing share based payment benefits:

- *General Employee Share Plans (GESP)*

GESP is a share award program which, at the determination of the Board, issue eligible employees with a grant of ordinary BlueScope Steel shares (or a reward of equal value in countries where the issue of shares is not practicable). The decision to issue GESP is made annually.

- *Long Term Incentive Plans (LTIP)*

LTIP is a share rights program which, at the determination of the Board, provides eligible senior managers with the right to receive ordinary BlueScope Steel shares at a later date subject to the satisfaction of certain performance criteria. The decision to issue a LTIP share rights program is made annually.

- *Special share grants and rights*

Special share grants and rights are awarded by the Board from time to time to meet specific or exceptional demands.

The fair values of share awards and share rights are recognised as an employee benefit expense with a corresponding increase to the share based payments reserve within equity. The total amount to be expensed is determined by reference to the fair value of the share awards or share rights granted, which includes any market performance conditions but excludes the impact of non-market performance vesting conditions.

1 Summary of significant accounting policies (continued)

Non-market vesting conditions are included in assumptions about the number of share awards or share rights that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are expected to be satisfied. At the end of each period, the entity revises its estimates of the number of share awards and share rights that are expected to vest based on non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity, or the provision account as is the case for cash settled share awards.

The fair value of share rights at grant date is independently determined by an external valuer using Black Scholes option pricing model which takes into account the exercise price, the term of the share right, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the share right.

The cumulative expense recognised for share-based payment transactions at each reporting date until vesting date reflects the extent to which the expected vesting period has expired and the number of rights that are expected to ultimately vest. This number is based on the best available information at the reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

Upon the exercise of share rights and issue of equity settled share awards, the balance of the share-based payments reserve relating to those rights and awards is transferred to share capital. The dilutive effect, if any, of outstanding rights is reflected as additional share dilution in the computation of diluted earnings per share.

No expense is recognised for share awards and share rights that do not ultimately vest, except for share rights where vesting is only conditional upon a market condition. The Group's current LTIP program is a market condition share-based payment.

(v) Short Term Incentive plans (STI)

The Group recognises a liability and an expense for STI plan payments made to employees. STI goals are based on both overall Company performance and the individual or team contribution to performance. The Group recognises a provision where past practice and current performance indicates that a probable constructive obligation exists.

(vi) Employee benefit on-costs

Employee benefit on costs, including payroll tax, are recognised and included in employee benefit liabilities and costs when the employee benefits to which they relate are recognised as liabilities.

(vii) Termination benefits

Liabilities for termination benefits, not in connection with a business combination or the closure of an operation, are recognised when the group is demonstrably committed to either terminating the employment of current employees according to a formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of business combinations are recognised as at the date of acquisition only if the liability has already been recognised in the statement of financial position of the acquiree.

Redundancy costs associated with the closure of an operation are accounted for as restructuring costs.

(z) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If BlueScope Steel Limited reacquires its own equity instruments, e.g. as the result of a share buy back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

1 Summary of significant accounting policies (continued)

(aa) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

A provision for dividends is not recognised as a liability unless the dividends are declared, determined or publicly recommended on or before the balance sheet date.

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ac) Restructuring costs

(i) Restructuring and the closure of an operation

Liabilities arising directly from undertaking a restructuring program, defined as the closure of an operation, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

(ii) Restructuring and the sale of an operation

A restructuring liability associated with the sale of an operation is not recognised unless a purchaser has been identified and a binding sale agreement has been entered into.

(i) Restructuring and acquisitions through a business combination

When acquiring another entity through a business combination, a restructuring liability is not recognised or included in the goodwill fair value calculation unless a liability has already been recognised by the acquiree, in accordance with note 1(ac)(i).

Redundancy costs that are not part of a restructuring program which closes or sells an operation are classified as employee benefits (refer note 1(y)(vii)).

(ad) Emissions trading schemes

The Group is a participant in the New Zealand Government's uncapped emissions trading scheme (ETS) which was implemented with effect from 1 July 2010. The Australian Carbon Pricing Mechanism is to commence on 1 July 2012 with the intention to move to a cap and trade ETS from 1 July 2015. Other than in consideration of non current asset carrying values (refer note 20), the proposed scheme has no accounting consequences in the current year. There are currently no other countries in which the Group operates where an emissions trading scheme would require the Group to be a participant.

Under New Zealand's ETS, emission unit permits (EUs) are received from the New Zealand Government based on the Allocative Baselines for the Defined Activity of Manufacture of Iron and Steel from Iron Sands. Permits are able to be sold or can be held to offset obligations accruing under the ETS.

EUs received are accounted for at fair value at the date of grant with a corresponding entry to deferred income. Income is recognised based on the production outputs from the defined activity. EUs that are acquired are initially recognised at cost. EUs that are held for trading in the ordinary course of business are classified as inventory and subsequently held at the lower of cost and fair value less cost to sell. Non-held-for-trading EUs are classified as intangible assets and are carried at cost. Intangible EU assets are not amortised or subject to impairment as the economic benefits are realised from surrendering the rights to settle obligations arising from the ETS.

1 Summary of significant accounting policies (continued)

The emissions liability is recognised as a provision for carbon and is measured with reference to the carrying amount of EUs held with any excess measured at the current market value of EUs. ETS costs passed through from suppliers are included as part of the underlying cost of the good or service rendered. The liability for this cost pass through is either included within trade creditors or recorded as an emissions liability within the carbon provision account when an agreement has been reached with the supplier to settle the ETS cost by transferring EUs.

When EUs are delivered to the government or a third party, the EU asset along with the corresponding carbon provision is derecognised from the statement of financial position.

(ae) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

2 Corporate information

The financial report of BlueScope Steel Limited for the year ended 30 June 2012 was authorised for issue in accordance with a resolution of the directors on 20 August 2012.

BlueScope Steel Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The registered office of the Company is Level 11, 120 Collins Street, Melbourne, Victoria, Australia 3000.

The nature of the operations and principal activities of the Group are described in note 5 and the directors' report.

3 Financial risk management

The Group's principal financial instruments include receivables, payables, borrowings and derivatives. The accounting classification of each category of financial instruments as defined in note 1(q), and their carrying amounts are set out below.

		Loans and receivables	Derivative instruments		Financial liabilities at amortised cost	Total carrying amount
			Designated as hedges	Held for trading		
30 June 2012	Notes	\$M	\$M	\$M	\$M	\$M
Financial assets						
Receivables (current)	12	952.9	-	-	-	952.9
Receivables (non-current)	17	42.2	-	-	-	42.2
Financial liabilities						
Payables (current)	24	-	-	-	(1,049.1)	(1,049.1)
Payables (non-current)	29	-	-	-	(7.5)	(7.5)
Derivative financial instruments (current)	15	-	-	(1.7)	-	(1.7)
Borrowings (current)	25	-	-	-	(144.9)	(144.9)
Borrowings (non-current)	30	-	-	-	(453.5)	(453.5)
		995.1	-	(1.7)	(1,655.0)	(661.6)

		Loans and receivables	Derivative instruments		Financial liabilities at amortised cost	Total carrying amount
			Designated as hedges	Held for trading		
30 June 2011	Notes	\$M	\$M	\$M	\$M	\$M
Financial assets						
Receivables (current)	12	1,026.8	-	-	-	1,026.8
Receivables (non-current)	17	22.7	-	-	-	22.7
Financial liabilities						
Payables (current)	24	-	-	-	(1,156.6)	(1,156.6)
Payables (non-current)	29	-	-	-	(6.9)	(6.9)
Borrowings (current)	25	-	-	-	(165.7)	(165.7)
Borrowings (non-current)	30	-	-	-	(1,074.2)	(1,074.2)
		1,049.5	-	-	(2,403.4)	(1,353.9)

3 Financial risk management (continued)

The Group's obligations expose it to market risk (including interest rate risk, currency risk and price risk), liquidity risk and credit risk. The nature of these risks and the policies the Group has for controlling them and any concentrations of exposure are discussed as follows:

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the financial risk management framework. The Board approves written policies for overall financial risk management, covering market, credit and liquidity risks. The objective of these policies is to support the delivery of the Group's financial targets while protecting future financial security. The Board also has established policies regarding the use of derivatives and does not permit their use for speculative purposes.

The Group's Audit & Risk Committee reviews the adequacy of the financial risk management framework established by the Board. In doing so, the Committee considers the financial risks faced by the Group and changes in market conditions. The Committee also oversees how management monitors compliance with the Group's financial risk management policies and procedures.

The Audit & Risk Committee reports regularly to the Board on its activities and:

- undertakes comprehensive reviews of the financial risk management controls and procedures; and
- monitors the levels of exposure to fluctuations in commodity prices, interest rates, foreign exchange rates and the market assessments in respect of these.

(a) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial asset or financial liability will fluctuate due to changes in interest rates. Exposure to cash flow interest rate risk for the Group arises due to holding floating rate interest bearing liabilities and investments in cash and cash equivalents. Any changes in the current market rate will affect the cash flows payable and receivable on floating rate interest bearing liabilities and investments in cash and cash equivalents and hence impact the Group's profit (loss) after tax.

Although a change in the current market interest rate may impact the fair value of the Group's fixed interest bearing liabilities and other receivables, it does not impact the Group's profit (loss) after tax or equity as these financial liabilities are carried at amortised cost and not at fair value through profit or loss.

Sensitivity disclosure analysis

The Group's exposure to its floating interest rate financial assets and financial liabilities is as follows:

	Consolidated	
	2012	2011
	\$M	\$M
Financial assets		
Cash and cash equivalents	214.5	172.2
Financial liabilities		
Borrowings - external	249.8	512.2
Net exposure	(35.3)	(340.0)

3 Financial risk management (continued)

Taking into account past performance, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the Group believes the impacts on profit or loss and on equity in the following table are 'reasonably possible' over the next 12 months if interest rates change by +/- 50 basis points from the year-end rates with all other variables including foreign exchange rates held constant.

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2012 \$M	2011 \$M	2012 \$M	2011 \$M
+50 basis points	(0.1)	(1.2)	(0.1)	(1.2)
-50 basis points	0.1	1.2	0.1	1.2

The sensitivity analysis is based on the Group's composition of floating rate financial instruments held at reporting date. For purposes of the sensitivity analysis, the effect of interest rate changes on floating rate instruments held is calculated assuming no change in other assumptions. In reality, the composition of floating instruments will vary throughout the financial reporting period and interest rates will change continually. Changes in one factor may contribute to changes in another, which may magnify or counteract the above sensitivities.

(ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of movements in international exchange rates. The Group is exposed to exchange rate transaction risk on foreign currency sales and purchases primarily with respect to the United States dollar (USD). The Group's most significant foreign currency exposure on financial instruments arises from USD receipts and payments on receivables, payables and interest bearing liabilities denominated in USD as held by Australian based entities, some of which are used to hedge net investments in foreign operations.

The Group is also exposed to exchange rate translation exposure on foreign currency financial assets and financial liabilities. In certain currencies the Group has a full or partial natural hedge between investments in net foreign assets and interest bearing liabilities.

The Group's exposure to its external non-functional currency USD financial assets and financial liabilities are as follows:

	Consolidated 2012 \$M	2011 \$M
Financial assets		
Cash and cash equivalents	32.5	40.3
Trade and other receivables	63.1	70.4
	<u>95.6</u>	<u>110.7</u>
Financial liabilities		
Trade and other payables	146.1	97.1
Borrowings	218.9	578.1
Forward foreign exchange contracts	1.7	-
	<u>366.7</u>	<u>675.2</u>
Net exposure	<u>(271.1)</u>	<u>(564.5)</u>

This exposure for the Group does not reflect the natural hedge of USD assets against USD borrowings of AUD 311.3M (2011: AUD 621.0M).

Although the Group is economically exposed to currency risk in relation to future purchases and sales this is not a recognised market risk under the Accounting Standards as the risk is embedded within normal purchases and sales and are therefore not financial instruments.

3 Financial risk management (continued)

Sensitivity disclosure analysis

The table below summarises the impact of +/- 10% (2011: +/- 10%) weakening/strengthening of the AUD against the USD on the Group's post-tax profit for the year and on equity based on the Group's external net exposure. The analysis is based on the assumption that the AUD has weakened/strengthened by 10% with all other variables held constant.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historical basis.

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2012 \$M	2011 \$M	2012 \$M	2011 \$M
AUD/USD + 10% (2011: +10%)	17.1	36.3	17.1	36.3
AUD/USD - 10% (2011: -10%)	(20.8)	(44.4)	(20.8)	(44.4)

(iii) Other price risk

Other price risk is the risk that the fair value or future cash flows of the transacted financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group is exposed to other price risks arising from commodity prices.

The Group takes a portfolio approach to price risk management. Hedging of price risks is undertaken infrequently due to the inherent limitations in being able to materially reduce volatility in earnings and cash flow. The primary limitation is that liquid derivative markets are not currently operating in the Group's most significant price risks, being international steel prices (particularly hot rolled coil and slab), coal and iron ore. The absence of derivative markets for these commodities means that any hedging program for other price risks will not have a material impact on reducing cash flow at risk.

Commodity price risk

The Group is exposed to price risk on steel that it produces, purchased steel feed and on the commodities that it utilises in its production processes, in particular iron ore, coal, scrap, zinc, aluminium and electricity. Although the Group is economically exposed to commodity price risk on its above mentioned inputs, this is not a recognised market risk under Accounting Standards as the risk is embedded within normal purchases and sales and are therefore not financial instruments.

The Group periodically enters into hedges to manage exposure to fluctuations in electricity prices (New Zealand operations) in accordance with the Group's financial risk management policies. No electricity hedge exists at balance date.

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities.

The Group expects to satisfy its ongoing capital expenditure requirements and meet its working capital needs through cash generated from operations, together with cash on hand and borrowings available under existing and new financing facilities. The total amount of financing facilities carried by the Group takes into account a liquidity buffer which is reviewed at least annually. Group Treasury monitors liquidity risk through the development of future rolling cash flow forecasts.

The Group's net exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. Refer to note 30(c) for a summary of the Group's material financing facilities.

Contractual maturity analysis

The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities at 30 June 2012 and 30 June 2011. The amounts disclosed represent undiscounted, contractual cash flows for the respective obligations in respect of upcoming fiscal years and therefore do not equate to the values shown in the statement of financial position.

3 Financial risk management (continued)

Non-derivatives	Contractually maturing in:						Total
	< 1 year	1 - 2	2 - 3	3 - 4	4 - 5	> 5	
30 June 2012	\$M	years	years	years	years	years	\$M
Payables (current & non-current)	1,049.1	-	-	-	-	7.5	1,056.6
Borrowings (current & non-current)	52.4	280.0	204.0	22.6	22.6	204.6	786.1
	1,101.5	280.0	204.0	22.6	22.6	212.1	1,842.7
Derivatives							
Gross settled (forward foreign exchange contracts)							
-Cash outflow	38.3	-	-	-	-	-	38.3
-Cash (inflow)	(36.6)	-	-	-	-	-	(36.6)
	1.7	-	-	-	-	-	1.7
 30 June 2011							
Payables (current & non-current)	1,156.6	-	-	-	-	6.9	1,163.5
Borrowings (current & non-current)	243.2	75.4	550.2	309.3	30.5	397.1	1,605.7
	1,399.8	75.4	550.2	309.3	30.5	404.0	2,769.2

(c) Credit risk

Credit risk arises from financial assets of the Group, such as cash (including cash equivalents), receivables and derivative financial instruments. Credit risk arises from the possibility that counterparties to the Group's financial assets will fail to settle their obligations under the respective contracts at maturity, causing the Group to incur a financial loss.

To manage this risk, the Group:

- has a policy for establishing credit approvals and limits, including the assessment of counterparty creditworthiness;
- may require collateral when appropriate;
- undertakes monitoring procedures such as periodic assessments of the financial viability of its counterparties, ageing analysis and reassessment of credit allowances provided; and
- manages exposures to individual entities it enters into derivative contracts with (a maximum exposure threshold is applied and transaction approval is required).

The maximum exposure of the Group's credit risk is represented by the carrying amount of the financial assets it holds (without taking account of the value of any collateral obtained), reduced by the effects of any netting arrangements with financial institution counterparties. As at 30 June 2012 and 30 June 2011, the Group held minimal amounts of collateral as security relating to any of its financial assets.

Irrespective of the above processes unexpected credit losses may occur. Exposure to unexpected losses increases when dealing with parties in similar industries or geographical regions whose ability to meet their contractual obligations are impaired by changes in economic, political or other conditions. The Group's primary customers, suppliers and financial institutions with whom it transacts are dispersed throughout the world. These risks are monitored at both the Group and operational level to ensure that all material credit risks are managed.

(i) Concentrations of risk

The Group's credit risks are categorised under the following concentrations of risk: counterparty type and geographical region.

3 Financial risk management (continued)

Counterparties

The Group has a large number of customers, internationally dispersed. Sales to the Group's customers are made either on open terms or subject to independent payment guarantees with prime financial institutions. The Group obtains letters of credit from these institutions to guarantee the underlying payment from trade customers or undertake debtor insurance to cover selective receivables for both commercial and sovereign risks.

The Group has significant transactions with major customers, being Arrium Limited (previously called OneSteel Limited), Fletcher Building's Group and Hills Industries. These entities are major customers of the Group's Australian operations and credit risk with these businesses is managed on an active and ongoing basis, using both quantitative and qualitative evaluation (based on transactional and credit history).

The Group's receivable counterparties consist of a number of prime financial institutions in the relevant markets. The Group has no significant transaction with any single counterparty or group of counterparties and generally does not require collateral in relation to the settlement of financial instruments.

Geographical

The Group trades in several major geographical regions and when appropriate export finance insurance and other risk mitigation facilities are utilised to ensure settlement. Regions in which the Group has a significant credit exposure are Australia, USA, China, South East Asia and New Zealand. Terms of trade are continually monitored by the Group.

As mentioned previously, selected receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and specialist credit insurers.

(ii) Renegotiations and amounts past due and not impaired

The Group does not typically renegotiate the terms of trade receivables. However, should a renegotiation occur, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 30 June 2012 (30 June 2011: Nil). Refer to note 12(e) for an ageing analysis of trade receivables past due and not impaired. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency or financial reorganisation, and default or delinquency in payments are considered indicators of impairment.

With respect to the trade receivables which are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 12 and 17 for impairment losses recognised for the period.

The Group's exposure to credit risk is large but due to the diversification of customers and geography the risk of loss is low.

(d) Fair value

The fair value of financial assets and financial liabilities is estimated for recognition and measurement or for disclosure purposes.

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

3 Financial risk management (continued)

The table below presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2012 and 30 June 2011.

30 June 2012	Level 1 \$M	Level 2 \$M	Level 3 \$M	Total \$M
Liabilities				
Forward foreign exchange contracts	-	1.7	-	1.7
Total liabilities	-	1.7	-	1.7
30 June 2011				
Liabilities				
Forward foreign exchange contracts	-	-	-	-
Total liabilities	-	-	-	-

As at 30 June 2012, the \$1.7M derivative liability relates to the fair value of outstanding forward foreign exchange contracts relating to foreign currency sales and purchases.

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined using valuation techniques.

With the exception of the table below, the fair value of financial assets and financial liabilities (including those recognised and measured at amortised cost) are assumed to approximate their fair values due to their short- term nature and/or application of floating rate interest charges. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current interest bearing liabilities approximates the carrying amount, as the impact of discounting is not significant.

	At 30 June 2012		At 30 June 2011	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial assets</i>				
Loans to related parties	-	-	5.0	5.1
<i>Non-traded financial liabilities</i>				
Other loans	218.9	268.8	640.0	758.8
Net assets (liability)	(218.9)	(268.8)	(635.0)	(753.7)

None of the above financial assets or liabilities are readily traded on organised markets in standardised form. The fair value of loans receivable and interest bearing financial liabilities where no market exists is based upon discounting the expected future cash flows by the current market interest rates on liabilities with similar risk profiles that are available to the Group.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated impairment of cash generating units (CGUs), including goodwill

The Group tests property, plant and equipment and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment or reversal of a previous impairment loss in accordance with the accounting policy stated in note 1(t). All cash generating units (CGU's) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined based on the key assumptions listed below.

Key assumptions

The recoverable amount of each CGU is determined on the basis of value-in-use (VIU), unless there is evidence to support a higher fair value less cost to sell. The following describes assumptions on which the Company has based its projections when determining the recoverable value of each CGU.

The carrying amounts of property, plant and equipment as set out in note 20 and intangible assets as set out in note 22 are subject to major estimation uncertainty, in the form of the key operating assumptions used to estimate the future cash flows and discount rates. The nature and basis for the key assumptions used for impairment testing are outlined below.

Future cash flows

VIU calculations use pre-tax cash flows, inclusive of working capital movement, are based on financial projections approved by the Company covering a three-year period, being the basis of the Group's forecasting and planning processes or up to five years where the circumstances pertaining to a specific CGU support a longer period. Cash flows beyond the projection period are extrapolated to provide a maximum of 30 years of cash flows with adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.

The key operating assumptions and their basis of estimation are:

- Raw material costs are based on commodity price forecasts derived from a range of external global commodity forecasters.
- Selling prices are management forecasts, taking into account commodity steel price forecasts derived from a range of external global commodity forecasters.
- Sales volumes are management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
- The strength of the Australian dollar relative to the US dollar is based on forecasts derived from a range of external banks. This assumption is relevant as foreign currency exchange rates, in particular the Australian dollar relative to the US dollar, impacts the competitiveness of domestically manufactured product relative to imported product.

Growth rate

The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2011: 2.5%). The growth rate represents a steady indexation rate which does not exceed the Company's expectations of the long-term average growth rate for the business in which each CGU operates.

4 Critical accounting estimates and judgements (continued)

Discount rate

The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. The post-tax discount rates range from 9.4% to 10.8% (2011: all at 10.5%).

Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the base discount rate is adjusted by a country risk premium (CRP) to reflect country specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a range of externally sourced foreign country risk ratings.

The adjusted post-tax discount rate is translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates.

All foreign currency cash flows are discounted using a discount rate appropriate for that currency.

Carbon pricing schemes

The estimated impact of the New Zealand Emissions Trading Scheme (ETS), which came into effect on 1 July 2010, and the Australian Carbon Pricing Mechanism (CPM), to come into effect on 1 July 2012, have been included in determining cash flow projections.

The carbon pricing schemes (CPS) requires the Company to annually obtain and surrender emission units to cover the Group's direct greenhouse gas emissions for our facilities in Australia and New Zealand (scope 1 emissions). The CPS increases the costs of electricity (scope 2 direct emissions) and the cost of other goods and services (scope 3 indirect emissions).

The Australian and New Zealand Governments have enacted programs to allocate some permits to emissions-intensive trade exposed activities, including integrated iron and steel making. In Australia this will involve the allocation of permits at the maximum rate (permits covering 94.5% of the industry based line emissions in the first year) with the permit allocation decreasing by 1.3% per annum. New Zealand Steel has qualified for a free allocation of emission unit permits at the maximum rate (90% of industry based line emissions) with no decision yet to be reached on the reduction rate of permits to be allocated.

The Australian Government has also announced a Steel Transformation Plan (STP) to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy. The STP will provide \$300M of funding to the Australian steel industry over a four-year period for eligible expenditure on innovation, investment and production. The Group expects to receive 61% of this funding. The STP included an advance payment mechanism which the Company utilised with a \$100M advance received in January 2012.

The Group will incur significant additional costs from these schemes. In Australia, the STP is expected to offset the cost of the CPM for the first four years. The potential impact of the CPM beyond the first four years is difficult to assess and will depend upon a range of factors.

In estimating the impact of carbon pricing schemes for impairment testing purposes the Group has taken into account the assistance to be provided by the STP for the first four years, net of any advances already received, the pass through of costs by suppliers and the ability of the Group to implement mitigation plans.

Sensitivity of carrying amounts

The carrying value of property plant and equipment of the Group is most sensitive to cash forecasts for the Group's largest CGU, Coated & Industrial Products Australia (CIPA) which are determined taking into account the key assumptions set out above. The property, plant and equipment of this CGU was impaired during the period and is therefore carried at its recoverable amount.

External forecasters estimate the current economic circumstances will continue for the next 12 months but in the longer term will see a strengthening of the US dollar relative to the Australian dollar, lowering of iron ore and coal raw material costs relative to global commodity steel prices and increasing domestic demand for steel products. The Company has risk adjusted the cash flows for CIPA by assuming a delayed recovery scenario for the next two years. The Company believes that the long term assumptions adopted are appropriate. However, to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flows were to decrease materially, that is in the range of 5-10%, across the five year forecast period without the implementation of mitigation plans, this could lead to a future impairment write-down of approximately \$150M - \$300M.

4 Critical accounting estimates and judgements (continued)

(ii) Income taxes

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

In addition, deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future forecast taxable profits are available to utilise those temporary differences and losses, and the tax losses continue to be available having regard to the nature and timing of their origination and compliance with the relevant tax legislation associated with their recoupment.

(iii) Workers compensation

Calculations for the Group's self-insured workers compensation are determined by external actuaries. These calculations require assumptions in relation to the expectation of future events. Refer to notes 27 and 32 for amounts recognised for workers compensation.

(iv) Product claims

Provision for claims is based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults. The provision requires the use of assumptions in relation to the level of future claims made. Refer to notes 27 and 32 for amounts recognised for product claims.

(v) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at grant date. The fair value is determined by an external valuer using a Black Scholes option pricing model. These calculations require assumptions to be made as per note 1(y)(iv) and illustrated in note 50.

(vi) Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 33.

(vii) Restructuring and redundancy provisions

Provisions for restructuring and redundancy are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group to those likely to be affected. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such determination is made. Refer to notes 27 and 32 for amounts recognised for restructuring and redundancy provisions.

(viii) Plant and machinery useful lives

The estimation of the useful lives of plant and machinery has been based on historical experience and judgement with respect to technical obsolescence, physical deterioration and usage capacity of the asset in addition to any legal restrictions on usage. The condition of the asset is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary (refer to note 1(s)).

(ix) Restoration and rehabilitation provisions

In accordance with the Group's accounting policy on provisions (note 1(x)), for sites where the requirements have been assessed and are capable of reliable measurement, estimated restoration and remediation costs have been provided for. Provisions have been made for the present value of anticipated costs for future remediation and restoration of leased premises and the iron sand mine operations in New Zealand. In addition, a number of sites within the Group are subject to ongoing environmental review and monitoring.

Recognising restoration, remediation and rehabilitation provisions across the Group requires assumptions to be made as to the application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. When reliable estimates of any remediation work required to be performed are possible and remediation techniques are identified for those sites subject to ongoing environmental review and monitoring, provisions will be established in accordance with the Group's accounting policy (refer notes 27 and 32).

4 Critical accounting estimates and judgements (continued)

(x) Legal claims

Recognising legal provisions requires judgement as to whether a legal claim meets the definition of a liability (refer accounting policy note 1(x)). There is an inherent uncertainty where the validity of claims are to be determined by the courts or other processes which may result in future actual expenditure differing from the amounts currently provided (refer note 40).

5 Segment information

(a) Description of segments

The Group has six reportable operating segments: Coated & Industrial Products Australia, Australia Distribution & Solutions, New Zealand & Pacific Steel Products, Coated & Building Products Asia, Hot Rolled Products North America, and Coated & Building Products North America.

Coated & Industrial Products Australia

Coated & Industrial Products Australia includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of approximately 2.6 million tonnes of crude steel. The Port Kembla Steelworks is the leading supplier of flat steel in Australia, manufacturing slab, hot rolled coil and plate products. The segment also comprises two main metallic coating and painting facilities located in Springhill, New South Wales and Western Port, Victoria together with steel painting facilities in western Sydney and Acacia Ridge, Queensland. Steel from the Port Kembla Steelworks is processed by these facilities to produce a range of COLORBOND® pre-painted steel and ZINCALUME® zinc/aluminium branded products. Export offices are also incorporated within this segment to trade steel manufactured at these facilities on global markets.

Australia Distribution & Solutions

Australia Distribution & Solutions contains a network of service centres and distribution sites from which it forms a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers. The operating segment also holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector and BlueScope's water business containing rain storage tank solutions.

New Zealand & Pacific Steel Products

The New Zealand Steel operation at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products.

Coated & Building Products Asia

Coated & Building Products Asia manufactures and distributes a range of metallic coated, painted steel products and pre engineered steel building systems primarily to the building and construction industry and to some sections of the manufacturing industry across Asia.

Hot Rolled Products North America

Hot Rolled Products North America includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini mill in the United States and a 47.5% shareholding in Castrip LLC.

Coated & Building Products North America

Coated & Building Products North America includes the North American Buildings Group, which designs, manufactures and markets pre-engineered steel buildings and component systems; Steelscape, producer of metal coated and painted steel coils and ASC Profiles, manufacturer of building components including architectural roof and wall systems and structural roof and decking.

Geographical information

The Group's geographical regions are determined based on the location of markets and customers. The Group operates in four main geographical regions being Australia, New Zealand, Asia and North America.

5 Segment information (continued)

(b) Reportable segments

The segment information provided to the strategic steering committee for the reportable segments for the year ended 30 June 2012 is as follows:

30 June 2012	Coated & Industrial Products Australia \$M	Australia Distribution & Solutions \$M	New Zealand & Pacific Steel Products \$M	Coated & Building Products Asia \$M	Hot Rolled Products North America \$M	Coated & Building Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	4,279.6	1,612.4	755.0	1,625.8	-	1,257.5	164.1	9,694.4
Intersegment revenue	(897.7)	(1.7)	(125.9)	(15.0)	-	(36.4)	(15.0)	(1,091.7)
Revenue from external customers	3,381.9	1,610.7	629.1	1,610.8	-	1,221.1	149.1	8,602.7
Segment EBIT	(725.8)	(259.7)	64.7	101.9	62.2	(24.4)	38.5	(742.6)
Depreciation and amortisation	176.8	23.2	44.6	46.4	-	29.6	7.6	328.2
Impairment (write-back) of non-current assets	136.0	178.9	-	0.1	1.4	3.5	-	319.9
Share of profit (loss) from associates and joint venture partnerships	-	-	3.1	(14.3)	63.9	0.5	-	53.2
Total segment assets	3,037.4	691.0	647.0	1,127.1	72.9	839.1	0.2	6,414.7
Total assets includes:								
Investments in associates and joint venture partnerships	-	2.8	6.8	33.9	72.6	1.0	-	117.1
Additions to non-current assets (other than financial assets and deferred tax)	116.6	8.8	82.1	48.4	-	16.8	2.9	275.6
Total segment liabilities	1,034.0	308.5	350.8	335.3	-	303.1	3.9	2,335.6
30 June 2011	Coated & Industrial Products Australia \$M	Australia Distribution & Solutions \$M	New Zealand & Pacific Steel Products \$M	Coated & Building Products Asia \$M	Hot Rolled Products North America \$M	Coated & Building Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	5,193.0	1,675.4	672.1	1,486.8	-	1,197.1	159.4	10,383.8
Intersegment revenue	(1,084.2)	(3.5)	(122.8)	(6.2)	-	(38.5)	(16.2)	(1,271.4)
Revenue from external customers	4,108.8	1,671.9	549.3	1,480.6	-	1,158.6	143.2	9,112.4
Segment EBIT	(1,062.5)	(217.9)	82.5	175.6	72.3	(42.1)	8.0	(984.1)
Depreciation and amortisation	201.9	31.1	39.3	42.3	-	39.3	-	353.9
Impairment (write-back) of non-current assets	797.3	179.1	-	(67.8)	1.7	15.6	(1.0)	924.9
Share of profit (loss) from associates and joint venture partnerships	-	-	2.9	(4.1)	74.3	0.2	-	73.3
Total segment assets	3,837.5	994.4	623.0	1,132.2	82.3	833.4	119.3	7,622.1
Total assets includes:								
Investments in associates and joint venture partnerships	-	2.9	8.0	49.2	81.0	0.9	-	142.0
Additions to non-current assets (other than financial assets and deferred tax)	253.0	36.1	85.1	60.4	-	19.8	-	454.4
Total segment liabilities	1,083.3	310.6	217.5	318.1	-	242.1	26.1	2,197.7

5 Segment information (continued)

(c) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2012 \$M	2011 \$M	2012 \$M	2011 \$M
Australia	3,924.0	4,006.7	2,275.2	2,664.3
New Zealand	407.1	336.0	412.8	372.9
Asia	1,934.4	2,482.9	651.2	641.7
North America	1,760.2	1,525.5	613.7	727.1
Other	577.0	761.3	3.3	4.1
	8,602.7	9,112.4	3,956.2	4,410.1

Segment revenues are allocated based on the country in which the customer is located.

Segment non-current assets exclude tax assets and are allocated based on where the assets are located.

(d) Other segment information

(i) Segment revenue

Sales between segments are carried out at arm's length and are eliminated on consolidation. The revenue from external parties is measured in a manner consistent with that in the statement of comprehensive income.

Segment revenue reconciles to total revenue from continuing operations as follows:

	Notes	Consolidated	
		2012 \$M	2011 \$M
Total segment revenue		9,694.4	10,383.8
Intersegment eliminations		(1,091.7)	(1,271.4)
Revenue attributable to discontinued operations		(149.1)	(143.2)
Other revenue	6	18.9	22.1
Total revenue from continuing operations		8,472.5	8,991.3

(ii) Segment EBIT

Performance of the operating segments is based on EBIT. This measurement basis excludes the effects of interest and taxes. Interest income and expense are not allocated to segments, as this type of activity is driven by the centralised treasury function, which manages the cash position of the Group.

A reconciliation of total segment EBIT to operating profit before income tax is provided as follows:

	Consolidated	
	2012 \$M	2011 \$M
Total segment EBIT	(742.6)	(984.1)
Intersegment eliminations	3.1	15.6
Interest income	3.1	7.1
Finance costs	(120.4)	(106.0)
EBIT (gain) loss attributable to discontinued operations	(38.5)	(8.0)
Corporate operations	(80.8)	(74.6)
Profit (loss) before income tax from continuing operations	(976.1)	(1,150.0)

5 Segment information (continued)

(iii) Segment assets

Segment assets are measured in a manner consistent with that of the financial statements. These assets are allocated based on the operations of the segment and the physical location of the asset.

Cash is not considered to be a segment asset as it is managed by the Group's centralised treasury function.

As the segment information is focused on EBIT, tax assets, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2012	2011
	\$M	\$M
Segment assets	6,414.7	7,622.1
Intersegment eliminations	(128.4)	(191.9)
Unallocated:		
Deferred tax assets	189.0	160.8
Cash	214.5	172.2
Corporate operations	15.6	29.8
Tax receivables	28.1	-
Total assets as per the statement of financial position	6,733.5	7,793.0

(iv) Segment liabilities

Segment liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment.

Liabilities arising from borrowing and funding initiatives are not considered to be segment liabilities due to these being managed by the Group's centralised treasury function. As the segment information is focused on EBIT, tax liabilities, which by their nature do not impact EBIT, are not allocated to operating segments.

Reportable segment liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2012	2011
	\$M	\$M
Segment liabilities	2,335.6	2,197.7
Intersegment eliminations	(119.2)	(179.3)
Unallocated:		
Current borrowings	144.9	165.7
Non-current borrowings	453.5	1,074.2
Current tax liabilities	72.7	23.1
Deferred tax liabilities	18.7	69.1
Accrued borrowing costs payable	11.2	11.0
Corporate operations	37.3	35.4
Total liabilities as per the statement of financial position	2,954.7	3,396.9

6 Revenue

	Notes	Consolidated 2012 \$M	2011 \$M
Revenue from operating activities			
<i>Sales revenue</i>			
Sale of goods		8,428.4	8,947.2
Services		25.2	22.0
Total sales revenue		8,453.6	8,969.2
<i>Other revenue</i>			
Interest external		2.9	5.9
Interest related parties	42(d)	0.2	1.2
Royalties external		1.6	1.6
Rental external		5.3	5.3
Other		8.9	8.1
Total other revenue		18.9	22.1
<i>Total revenue from ordinary activities</i>		8,472.5	8,991.3
From discontinued operations			
Sales revenue		164.1	159.4
Intersegment eliminations		(15.0)	(16.2)
<i>Total revenue from discontinued operations</i>	10	149.1	143.2

7 Other income

	Notes	Consolidated 2012 \$M	2011 \$M
Net gain on disposal of property, plant and equipment (2011 net loss - note 8)		0.3	-
Insurance recoveries		-	0.1
Litigation settlement		0.1	0.7
Carbon permit - Government grant	1(ad)	12.8	19.0
STP Government grant (a)		100.0	-
		113.2	19.8

(a) Steel Transformation Plan Government grant

A \$100M advance payment under the Federal Government Steel Transformation Plan (STP) was received on 13 January 2012. The STP was established to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry. In accordance with the Company's accounting policy on accounting for Government grants (refer to note 1(h)), the \$100M STP advance payment has been recognised as income in line with the related costs which it is intended to compensate.

8 Expenses

	Notes	Consolidated 2012 \$M	2011 \$M
Loss before income tax includes the following specific expenses for continuing operations:			
<i>Depreciation and amortisation</i>			
Depreciation	20	295.1	320.6
Amortisation	22	28.2	27.2
Total depreciation and amortisation		<u>323.3</u>	<u>347.8</u>
<i>Impairment losses - financial assets</i>			
<i>Loans and receivables</i>			
- trade receivables		9.8	4.7
- reversal of impairment loss		(3.5)	(2.1)
Total impairment of financial assets	12(d)	<u>6.3</u>	<u>2.6</u>
<i>Impairment of non-current assets</i>			
BlueScope Distribution goodwill	22	156.8	177.2
Coated & Industrial Products Australia PP&E	20	136.0	728.7
Lysaght Australia goodwill	22	10.0	-
BlueScope Water Australia goodwill	22	7.5	-
BlueScope Buildings North America PP&E	20	3.5	-
Australia Distribution & Solutions PP&E and other intangibles	20	4.7	1.8
Coated & Industrial Products Australia goodwill	22	-	68.6
Steelscape goodwill	22	-	15.6
BlueScope Water other intangible	22	-	0.1
Castrip joint venture	46(d)	1.4	1.7
Reversal of impairment loss	20(d)	-	(67.8)
Total impairment of non-current assets		<u>319.9</u>	<u>925.9</u>
<i>Finance costs</i>			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		88.9	80.7
Ancillary finance charges		26.1	25.2
Provisions: unwinding of discount	32	6.4	7.2
Amount capitalised (b)		<u>121.4</u>	<u>113.1</u>
		<u>(1.0)</u>	<u>(7.0)</u>
Finance costs expensed		<u>120.4</u>	<u>106.1</u>
Net loss on disposal of property, plant and equipment (2012 net gain - note 7)		-	1.1
Net foreign exchange losses		7.5	34.8
Rental expense relating to operating leases		101.6	99.0
Defined contribution superannuation expense		78.1	82.2
Research and development expense		26.0	28.3
Restructure provision expense (a)	32	403.6	1.7
Employee redundancy provision expense		11.4	9.2
Restoration and rehabilitation provision write-back		-	(4.7)

8 Expenses (continued)

(a) Restructuring costs

The current year restructuring costs includes \$365.7M for incurred and estimated future costs arising from the closure of the No.6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced to the market on 22 August 2011. The remaining current year restructuring costs relates to Coated & Buildings North America and Australia Distribution & Solutions segments.

(b) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 6.97%, being the weighted average interest rate applicable to the entity's outstanding borrowings during the year (2011: 6.11%).

9 Income tax expense

(a) Income tax expense (benefit)

	Notes	Consolidated	
		2012 \$M	2011 \$M
Current tax		105.0	29.1
Deferred tax		(19.1)	(126.2)
Adjustments for current tax of prior periods		4.8	(4.1)
		<u>90.7</u>	<u>(101.2)</u>
Income tax expense (benefit) is attributable to:			
Profit (loss) from continuing operations		50.2	(103.9)
Profit (loss) from discontinued operations		40.5	2.7
Aggregate income tax expense		<u>90.7</u>	<u>(101.2)</u>
Deferred income tax (benefit) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	21	2.6	(65.5)
(Decrease) increase in deferred tax liabilities	31	(22.4)	(64.6)
Investments in subsidiaries	36	0.7	3.9
		<u>(19.1)</u>	<u>(126.2)</u>

9 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	Notes	Consolidated 2012 \$M	2011 \$M
Loss from continuing operations before income tax expense		(976.1)	(1,150.0)
Profit from discontinuing operations before income tax expense	10	38.9	8.4
		<u>(937.2)</u>	<u>(1,141.6)</u>
Tax at the Australian tax rate of 30.0% (2011 - 30.0%)		(281.2)	(342.5)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Depreciation and amortisation		0.6	0.6
Manufacturing credits		(2.6)	(1.4)
Research and development incentive		(7.3)	(9.3)
Withholding tax		3.3	2.5
Non-taxable (gains) losses		(5.1)	(5.7)
Disposal of subsidiary		25.6	-
Goodwill impairment		52.3	78.4
Share of net profits (losses) of associates		3.5	0.4
Entertainment		1.1	1.3
Share-based payments		2.4	2.0
Sundry items		5.0	5.5
		<u>(202.4)</u>	<u>(268.2)</u>
Difference in overseas tax rates		(5.2)	(12.4)
Adjustments for current tax of prior periods		4.8	(4.1)
Temporary differences and tax losses not recognised		312.3	220.4
Deferred tax restatement for New Zealand tax rate change		-	(0.2)
Previously unrecognised tax losses and temporary differences now recognised		(15.3)	(32.2)
Previously unrecognised tax losses now recouped to reduce current tax expense		(4.7)	(4.5)
Previously recognised tax losses now derecognised		1.2	-
Income tax expense (benefit)		<u>90.7</u>	<u>(101.2)</u>

(c) Amounts recognised directly in equity

	Notes	Consolidated 2012 \$M	2011 \$M
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited (credited) to equity			
Net deferred tax - credit recognised directly in equity	35	-	0.1
		<u>-</u>	<u>0.1</u>

(d) Tax expense (benefit) relating to items of other comprehensive income

	Notes		
Cash flow hedges	36(a)	-	0.1
Actuarial gain/(loss) on defined benefit superannuation plans	36(b)	(58.3)	0.4
Net (gain) loss on investments in subsidiaries	36(a)	(0.7)	(3.9)
Total income tax expense (benefit) on items of other comprehensive income		<u>(59.0)</u>	<u>(3.4)</u>

(e) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	1,013.5	95.7
Potential tax benefit	<u>295.1</u>	<u>18.8</u>

9 Income tax expense (continued)

As at 30 June 2012, \$296.0M of Australian deferred tax assets generated during the period, mainly in relation to export losses and restructure costs, have been impaired with \$27.7M of this amount recognised directly against retained earnings due to actuarial losses from the Australian Defined Benefit Superannuation Plan. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

The Group also has unrecognised tax losses arising in Vietnam of \$7.2M (2011: \$19.6M) and China of \$92.1M (2011: \$57.5M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax group in which they are generated.

Tax dispute

The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year (refer to note 40).

In accordance with ATO guidelines, BSL made a \$21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. As at 30 June 2012, this amount has been provided for in the income tax provision with a corresponding increase in non-current tax receivable.

(f) Unrecognised temporary differences

	Consolidated	
	2012	2011
	\$M	\$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	88.3	133.6
Unrecognised deferred tax liabilities relating to the above temporary differences	13.3	17.2

Overseas subsidiaries have undistributed earnings, which, if paid out as dividends, would be subject to withholding tax. An assessable temporary difference exists, however no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from their subsidiaries and is not expected to distribute these profits in the foreseeable future.

At 30 June 2012, the Group has \$Nil (2011: \$16.6M) of deferred tax assets which have not been recognised as they arose from the initial recognition of a liability in a transaction that:

- was not a business combination; and
- at the time of the transaction, affected neither accounting profit nor taxable profit (tax loss).

Unrecognised deferred tax assets for the Group totalling \$159.2M (2011: \$290.2M) have not been recognised as they are not probable of realisation.

At 30 June 2012, the Group has \$Nil (2011: \$1.5M) of deferred tax liabilities which have not been recognised as they arose from the initial recognition of an asset in a transaction that:

- was not a business combination; and
- at the time of the transaction, affected neither accounting profit nor taxable profit (tax loss).

10 Discontinued operations

(a) Description

On 22 June 2012, the Group sold Metl-Span, its North American insulated metal panels business, to NCI Group Inc. As at 30 June 2012 the results of Metl-Span have been included as part of discontinued operations, with a retrospective change made to the comparative period results.

In June 2007, the Group closed its loss making tinplate manufacturing operation, which was the major component of its Packaging Products cash generating unit.

Following a series of construction contract losses in the financial year 2006, the Group closed down and sold the assets of its Lysaght Taiwan business.

The financial information for these operations identified as discontinued operations is set out below and is reported in this financial report as discontinued operations (refer to note 1(p)).

(b) Financial performance of discontinued operations

The results of discontinued operations are presented below.

	2012			Consolidated		2011		
	Metl-Span \$M	Packaging Products \$M	Lysaght Taiwan \$M	Total \$M	Metl-Span \$M	Packaging Products \$M	Lysaght Taiwan \$M	Total \$M
Revenue	149.1	-	-	149.1	143.2	-	-	143.2
Other income	29.4	-	-	29.4	-	-	-	-
Depreciation and amortisation	(7.6)	-	-	(7.6)	(7.9)	-	-	(7.9)
Other expenses excluding finance costs	(131.6)	-	(0.4)	(132.0)	(128.7)	-	0.7	(128.0)
Unutilised provisions written back	-	-	-	-	-	0.1	-	0.1
Impairment reversal (i)	-	-	-	-	-	1.0	-	1.0
Finance costs	-	-	-	-	-	-	-	-
Profit (loss) before income tax (ii)	39.3	-	(0.4)	38.9	6.6	1.1	0.7	8.4
Income tax (expense) benefit (ii)	(40.4)	-	(0.1)	(40.5)	(2.4)	(0.3)	-	(2.7)
Profit (loss) after income tax from discontinued operations	(1.1)	-	(0.5)	(1.6)	4.2	0.8	0.7	5.7

The results and cash flows from discontinued operations are required to be presented on a consolidated basis. Therefore, the impact of intercompany sales, profit in stock eliminations, intercompany interest income and expense and intercompany funding have been excluded. The profit attributable to the discontinued segment is not affected by these adjustments. As a result of these adjustments the discontinued operations result and cash flows do not represent the operations as stand alone entities.

(i) Reversal of impairment loss

In the prior period, Packaging Products recognised an impairment reversal for \$1M against property, plant and equipment after selling previously impaired assets.

10 Discontinued operations (continued)

(ii) Details on sale of Metl-Span

Included in the 2012 Metl-Span results is a \$29.4M pre-tax disposal gain and a \$37.2M tax disposal expense. Details of the sale are as follows:

	2012 \$M
Cash consideration received	146.2
Consideration receivable	0.4
Selling expenses	(6.2)
Net disposal consideration	140.4
Carrying amount of net assets sold	(99.9)
Exchange loss transferred from foreign currency translation reserve	(11.1)
Gain on sale before income tax	29.4
Income tax expense	37.2
Loss on sale after income tax	(7.8)

(c) Cash flow information - discontinued operations

The net cash flows of discontinued operations held are as follows:

	2012				2011			
	Metl-Span \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M	Metl-Span \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M
Net cash inflow (outflow) from operating activities	14.5	-	(0.6)	13.9	10.6	(1.7)	0.4	9.3
Net cash inflow (outflow) from investing activities (i)	137.0	-	-	137.0	(1.8)	1.0	-	(0.8)
Net cash inflow (outflow) from financing activities	-	-	-	-	-	-	-	-
Net increase in cash generated by the operation	151.5	-	(0.6)	150.9	8.8	(0.7)	0.4	8.5

(i) The cash received from the sale of Metl-Span on 22 June 2012 is as follows:

	2012 \$M
Cash consideration received	146.2
Selling expenses paid	(1.5)
Net cash received	144.7
Net cash disposed	(4.7)
Investing cash inflow	140.0

11 Current assets - Cash and cash equivalents

	Consolidated 2012 \$M	2011 \$M
Cash at bank and on hand	212.1	172.1
Deposits at call	2.4	0.1
	<u>214.5</u>	<u>172.2</u>

(a) Reconciliation to cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flows as follows:

	Notes	Consolidated 2012 \$M	2011 \$M
Balances as above		214.5	172.2
Bank overdrafts	25	(1.9)	(1.0)
Balances per statement of cash flows		<u>212.6</u>	<u>171.2</u>

(b) Risk exposure

The Group's exposure to interest rate and credit risk is discussed in note 3. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents.

12 Current assets - Receivables

	Notes	Consolidated 2012 \$M	2011 \$M
Trade receivables (a) (f)		908.4	964.0
Provision for impairment of receivables	12(d)	(15.1)	(21.0)
		<u>893.3</u>	<u>943.0</u>
Loans to related parties - associates (b)	42(e)	1.1	1.0
Loans to related parties - other (b)	42(e)	-	5.0
Tax receivables		6.9	-
Other receivables		51.6	77.8
		<u>952.9</u>	<u>1,026.8</u>

(a) Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 day terms.

(b) Related party trade receivables and loans to related parties

For terms and conditions relating to related party trade receivables and loans to related parties refer to note 42.

(c) Risk exposure

Information concerning fair values and credit risk of both current and non current receivables is set out in note 3.

12 Current assets - Receivables (continued)

(d) Provision for impairment of receivables

Movements in the provision for impairment of trade receivables are as follows:

	Consolidated	
	2012 \$M	2011 \$M
Opening balance	21.0	30.4
Additional provision recognised	9.8	4.7
Amounts used during the period	(11.4)	(7.7)
Unutilised provision written back	(3.5)	(2.1)
Disposal of subsidiary	(0.1)	-
Exchange fluctuations	(0.7)	(4.3)
	15.1	21.0

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(e) Past due but not impaired

The ageing analysis of trade receivables for amounts that were past due but not impaired for the Group is as follows:

	Consolidated	
	2012 \$M	2011 \$M
Within 30 days	158.8	141.7
31 to 60 days	29.2	27.2
61 to 90 days	7.1	7.5
Over 90 days	30.3	13.6
	225.4	190.0

With respect to the trade receivables that are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 12(d) and 17(a) for impairment losses recognised during the period.

The Group's exposure to credit risk is large but due to the diversification of customers and geography the risk of loss is considered minimal.

(f) Transferred financial assets which remain recognised

During the year, BlueScope Distribution entered into a sale of receivables securitisation program on a recourse basis. The Company acts as a servicer under the program and continues to collect cash from its customers and is able to repurchase a receivable by paying the outstanding amount of that receivable.

The receivables securitisation program does not qualify for derecognition as per AASB 139 *Financial Instruments: Recognition and measurement* as the Company has retained the credit risk associated with the trade receivables, by repurchase, and therefore the risks and rewards of the securitisation asset resides with the Group. As a result, the Group continues to recognise the trade receivables and has recognised a current borrowing for the consideration received for the transferred asset. The carrying amount of the trade receivables is \$148.6M and the associated borrowing is \$131.0M as at 30 June 2012.

13 Current assets - Inventories

	Consolidated	
	2012	2011
	\$M	\$M
<i>Raw materials and stores</i>		
- at cost	146.2	177.3
- at net realisable value	111.9	210.8
	258.1	388.1
<i>Work in progress</i>		
- at cost	312.5	373.8
- at net realisable value	219.4	375.9
	531.9	749.7
<i>Finished goods</i>		
- at cost	369.3	519.4
- at net realisable value	96.9	198.6
	466.2	718.0
<i>Spares and other</i>		
- at cost	80.1	89.1
	80.1	89.1
<i>Emission unit permits - held for trading</i>		
- at cost	1.1	2.5
	1.1	2.5
	1,337.4	1,947.4

(a) Inventory expense

Current and non-current inventories recognised as an expense during the year ended 30 June 2012 amounted to \$5,527.1M (2011: \$5,654.8M) for the Group.

Write-downs of inventories to net realisable value recognised as an expense at 30 June 2012 amounted to \$45.3M (2011: \$87.0M) for the Group. The expense has been included in 'raw materials and consumables used' in the profit or loss.

(b) Emission unit permits (EUs)

The Group is a participant in the New Zealand Government's uncapped emissions trading scheme which was first implemented with effect from 1 July 2010. In accordance with the Group's accounting policy on accounting for emission trading schemes (note 1(ad)) EUs held for trading in the ordinary course of business are classified as inventory and are held at the lower of cost and fair value less cost to sell.

14 Current assets - Intangible assets

	Consolidated	
	2012	2011
	\$M	\$M
Emission unit permits - not held for trading	5.6	18.2

In accordance with the Group's accounting policy on accounting for emission trading schemes (note 1(ad)) EUs that are not held for trading are recognised as current intangible assets and are carried at cost. Intangible EU assets are not amortised or subject to impairment as the economic benefits are realised from surrendering the rights to settle obligations arising from the ETS.

15 Derivative financial instruments

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

As at 30 June 2012, a \$1.7M derivative liability has been recorded in relation to the fair value of outstanding forward foreign exchange contracts relating to foreign currency sales and purchases (refer to note 3).

(ii) Forward exchange contracts - electricity cash flow hedges

The Group has been party to derivative financial instruments in accordance with the Group's financial risk management policy (note 3) as a means of hedging exposure to electricity price fluctuations within New Zealand's steel making business.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. Upon maturity, the cumulative loss deferred in equity is adjusted against the initial amount recognised for electricity, which forms a component of inventory cost recognised in the statement of financial position (refer to note 36).

(b) Risk exposures

The Group generally does not enter into significant derivative hedging or other transactions involving market sensitive instruments. Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 3.

(c) Other hedging activities hedge of net investments in foreign operations

The Group had net investments in New Zealand Steel Limited and North Star BlueScope Steel, whose functional currency is NZD and USD respectively. Movements in the AUD/NZD and AUD/USD exchange rates result in fluctuations in the AUD equivalent of these net investments. BlueScope Steel (Finance) Limited borrowed NZD and USD to hedge the net investments in New Zealand Steel Limited and North Star BlueScope Steel respectively. The NZD borrowing was fully repaid on 20 June 2012 (2011: AUD 849.3M) and the USD borrowing fully repaid on the 23 December 2011 (2011: USD 100.0M). On translation of the net investments from NZD and USD to AUD, foreign exchange gains and losses have been taken to the foreign currency translation reserve. Similarly, on translation of BlueScope Steel (Finance) Limited's NZD and USD borrowings to AUD, foreign exchange gains and losses have been taken to the foreign currency translation reserve to the extent that the hedge is effective. The North Star investment hedge was partially ineffective resulting in a \$141K gain (2011: \$274K gain) being recorded in the profit and loss. The effective hedge portion of these net investments are recorded in the foreign currency translation reserve net of tax (refer to note 36).

16 Current assets - Other

	Consolidated	
	2012	2011
	\$M	\$M
Deferred charges and prepayments	56.7	57.5

17 Non-current assets - Receivables

		Consolidated	
	Notes	2012	2011
		\$M	\$M
Tax receivable	9(e)	21.2	-
Other receivables		21.0	22.7
		42.2	22.7

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due.

17 Non-current assets - Receivables (continued)

(b) Fair values

Non-current other receivables relate to third party workers compensation recoveries which are actuarially determined at each reporting date. Given the revision of this actuarial calculation at each reporting date, including the selection of an appropriate discount rate, its carrying value is a reasonable approximation of fair value.

(c) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 3.

18 Non-current assets - Inventories

	Consolidated	
	2012	2011
	\$M	\$M
<i>Spares and other</i>		
- at cost	71.6	81.4

For detail of inventory expense recognised during the period refer to note 13.

19 Non-current assets - Investments accounted for using the equity method

		Consolidated	
	Notes	2012	2011
		\$M	\$M
Investments in associates	45	13.1	13.9
Interest in joint venture partnerships	46	104.0	128.1
		117.1	142.0

Investments in associates and interests in joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting (refer to notes 1(d)(ii) and 1(d)(iii)).

20 Non-current assets - Property, plant and equipment

	Land and buildings \$M	Plant, machinery and equipment \$M	Total \$M
At 1 July 2010			
Cost	1,255.8	8,678.8	9,934.6
Accumulated depreciation and impairment	(544.2)	(5,132.1)	(5,676.3)
Net book amount	711.6	3,546.7	4,258.3
Year ended 30 June 2011			
Opening net book amount	711.6	3,546.7	4,258.3
Additions	41.8	402.6	444.4
Depreciation charge	(30.3)	(294.7)	(325.0)
Disposals	(12.0)	(6.1)	(18.1)
Asset reclassifications within class	(1.6)	1.6	-
Asset reclassifications to computer software	-	(0.5)	(0.5)
Impairment (loss) write-back	(14.7)	(647.0)	(661.7)
Exchange variations/other	(63.4)	(133.4)	(196.8)
Closing net book amount	631.4	2,869.2	3,500.6
At 30 June 2011			
Cost	1,187.0	8,752.4	9,939.4
Accumulated depreciation and impairment	(555.6)	(5,883.2)	(6,438.8)
Net book amount	631.4	2,869.2	3,500.6
Year ended 30 June 2012			
Opening net book amount	631.4	2,869.2	3,500.6
Additions	17.7	229.3	247.0
Depreciation charge	(30.4)	(268.9)	(299.3)
Disposal of subsidiary	(10.2)	(27.1)	(37.3)
Disposals	(4.4)	(7.1)	(11.5)
Asset reclassifications within class	(26.7)	26.7	-
Asset reclassifications to computer software	-	(14.3)	(14.3)
Impairment (loss) write-back	(0.9)	(143.0)	(143.9)
Exchange variations/other	20.2	34.1	54.3
Closing net book amount	596.7	2,698.9	3,295.6
At 30 June 2012			
Cost	1,155.5	8,932.1	10,087.6
Accumulated depreciation and impairment	(558.8)	(6,233.2)	(6,792.0)
Net book amount	596.7	2,698.9	3,295.6

20 Non-current assets - Property, plant and equipment (continued)

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	Consolidated 2012 \$M	2011 \$M
Land and buildings	0.2	2.0
Plant, machinery and equipment	150.8	314.1
Total assets in the course of construction	<u>151.0</u>	<u>316.1</u>

(b) Leased assets

Total property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	Consolidated 2012 \$M	2011 \$M
Leasehold assets		
Cost	144.8	108.9
Accumulation depreciation	(17.8)	(9.6)
Net book amount	<u>127.0</u>	<u>99.3</u>

During the period the Group entered into a finance lease for the use of equipment associated with the transport of iron sands from New Zealand.

(c) Non-current assets pledged as security

Refer to note 30(a) for information on non-current assets pledged as security by the Group.

(d) Current period impairment losses and reversals

The Group tests for impairment and measures recoverable amount based on the testing methodology and assumptions outlined in note 4. Impairment losses are included in the line item 'impairment of non-current assets' in the profit or loss.

(ii) Coated and Industrial Products Australia (CIPA)

Property, plant and equipment totalling \$136.0M has been impaired as a result of a slower than previously expected recovery in Australian domestic demand, and an increase in the discount rate being applied to expected future cash flows due to increased volatility in equity markets.

(i) BlueScope Buildings North America

Property, plant and equipment totalling \$3.5M has been impaired as a result of further plant restructuring to align BlueScope Buildings North America production capacity with market demand.

(iii) Australia Distribution & Solutions

Property, plant and equipment totalling \$4.4M has been impaired as a result of business restructuring in BlueScope Distribution, Buildings Australia, and BlueScope Water.

Prior period impairment and reversal of impairment

(i) Coated and Industrial Products Australia (CIPA)

At 30 June 2011, a total of \$728.7M of property, plant and equipment impairments were recorded against CIPA assets due to economic factors including the strength of the AUD:USD, low spread (selling price less raw material cost) and low domestic demand.

(ii) Impairment BlueScope Water

The BlueScope Water business, included in the Australia Distribution & Solutions segment, impaired \$1.8M of property, plant and equipment due to restructuring of the business.

20 Non-current assets - Property, plant and equipment (continued)

(iii) Reversal China coating line and Packaging Products

The Coated & Building Products Asia segment has partially reversed impairments previously recognised for plant and equipment at the metallic coating and painting facility in Suzhou, China. Previously booked impairment losses have been reversed to the extent of \$67.8M following the material improvement in financial performance and positive outlook of the business.

The discontinued Packaging Products division recognised an impairment reversal for \$1.0M against property, plant and equipment after securing a contract for the sale of the previously impaired equipment.

21 Non-current assets - Deferred tax assets

	Consolidated	
	2012	2011
	\$M	\$M
The balance comprises temporary differences attributable to:		
Doubtful debts provision	2.1	2.0
Employee benefits provision	145.0	129.5
Other provisions	55.3	21.7
Depreciation	(316.6)	(310.1)
Foreign exchange (gains) losses	(85.1)	(50.7)
Investments	(7.9)	(7.3)
Share capital raising costs	6.5	8.1
Inventory	(7.4)	(12.9)
Tax losses	402.0	382.9
Other	(4.9)	(2.4)
	189.0	160.8

Notes

Movements:

Opening balance at 1 July		160.8	84.9
Credited (charged) to profit or loss	9	(2.6)	65.5
Credited (charged) to other comprehensive income		35.1	15.0
Transfer to current receivables		(6.9)	-
Foreign exchange differences		2.6	(4.6)
Closing balance at 30 June		189.0	160.8

The Australian consolidated tax group has recognised a \$84.6M deferred tax asset at 30 June 2012 (30 June 2011: \$84.6M). The Australian consolidated tax group has incurred taxable losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

22 Non-current assets - Intangible assets

Consolidated	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Customer relationships \$M	Other intangible assets \$M	Total \$M
At 1 July 2010						
Cost	841.6	29.5	214.4	122.0	8.1	1,215.6
Accumulation amortisation and impairment	(10.8)	(15.3)	(112.0)	(34.8)	(1.6)	(174.5)
Net book amount	830.8	14.2	102.4	87.2	6.5	1,041.1
Year 30 June 2011						
Opening net book amount	830.8	14.2	102.4	87.2	6.5	1,041.1
Exchange differences	(78.6)	(2.9)	(6.4)	(14.6)	(1.2)	(103.7)
Additions	-	-	14.6	-	0.3	14.9
Impairment	(261.4)	-	-	-	(0.1)	(261.5)
Amortisation charge	-	(0.8)	(21.6)	(7.8)	(0.4)	(30.6)
Reclassifications from PP&E	-	-	0.5	-	-	0.5
Closing net book amount	490.8	10.5	89.5	64.8	5.1	660.7
At 30 June 2011						
Cost	751.9	24.0	210.7	101.2	6.7	1,094.5
Accumulation amortisation and impairment	(261.1)	(13.5)	(121.2)	(36.4)	(1.6)	(433.8)
Net book amount	490.8	10.5	89.5	64.8	5.1	660.7
Consolidated	Goodwill \$M	Patents, trademarks and other rights \$M	Computer Software \$M	Customer relationships \$M	Other intangible assets \$M	Total \$M
Year 30 June 2012						
Opening net book amount	490.8	10.5	89.5	64.8	5.1	660.7
Exchange differences	17.5	0.6	1.5	3.4	0.3	23.3
Controlled entity disposals	(49.8)	(2.1)	(0.5)	(5.1)	(0.3)	(57.8)
Additions	-	-	13.9	-	0.1	14.0
Impairment	(174.3)	-	(0.1)	-	(0.2)	(174.6)
Amortisation charge	-	(0.8)	(22.9)	(7.5)	(0.4)	(31.6)
Reclassifications from PP&E	-	-	14.3	-	-	14.3
Closing net book amount	284.2	8.2	95.7	55.6	4.6	448.3
At 30 June 2012						
Cost	720.0	23.2	240.8	84.8	6.3	1,075.1
Accumulated amortisation and impairment	(435.8)	(15.0)	(145.1)	(29.2)	(1.7)	(626.8)
Net book amount	284.2	8.2	95.7	55.6	4.6	448.3

22 Non-current assets - Intangible assets (continued)

(a) Allocation of goodwill and intangible assets with indefinite useful lives to cash generating units

Goodwill is allocated to the Group's cash generating units (CGUs) for impairment testing purposes as follows:

Cash generating unit	Business segment	2012 \$M	2011 \$M
BlueScope Distribution	Australia Distribution & Solutions	-	156.8
Lysaght Australia	Australia Distribution & Solutions	20.8	30.8
Buildings Australia	Australia Distribution & Solutions	25.4	25.4
BlueScope Water Australia	Australia Distribution & Solutions	4.3	11.8
ASC Profiles	Coated & Building Products North America	2.8	2.5
Building North America	Coated & Building Products North America	218.1	204.7
Metl-Span	Discontinued Operations	-	46.5
Buildings China	Coated & Building Products Asia	8.8	8.3
Other Asia	Coated & Building Products Asia	4.0	4.0
Total goodwill		284.2	490.8

In addition to goodwill, the Group has other intangible assets with indefinite useful lives of \$2.9M (2011: \$2.7M) allocated to the Buildings North America CGU which relates to trade names recognised as part of the IMSA Group business combination acquired in February 2008.

On 22 June 2012, the Group sold Metl-Span, it's North American insulated metal panels business, to NCI Group Inc. Goodwill of \$46.5M and \$2.1M of indefinite lived intangible assets, recognised on acquisition of the business in February 2008, have been disposed of as at 30 June 2012.

(b) Impairment charges

Current period

At 30 June 2012, a total of \$174.3M of goodwill impairments were recognised. The goodwill impairments were recorded against BlueScope Distribution (\$156.8M), Lysaght Australia (\$10.0M) and BlueScope Water (\$7.5M) due to a slower than previously expected recovery in Australian domestic demand.

Prior period

At 30 June 2011, a total of \$184.4M of goodwill impairments were recognised. The goodwill impairments were recorded against Coated and Industrial Products (\$68.6M) due to economic factors including the strength of the AUD:USD, low spread (selling price less raw material cost) and low domestic demand, BlueScope Distribution (\$100.2M) due to the strength of the AUD:USD which improved the affordability of imports resulting in margin compression and Steelscape (\$15.6M) due to a reduction in forecast margins.

At 31 December 2010, the Australia Distribution & Solutions segment impaired \$77.0M of goodwill in relation to its Distribution business acquired from Smorgon Steel in August 2007. The impairment was due to a revised medium-term outlook influenced by reduced market demand and increased import competition driving margins lower.

(c) Key assumptions used for value-in-use calculations

The Group tests for impairment and measures recoverable amount of its CGUs containing goodwill based on the methodology and assumptions outlined in note 4.

Cash generating units with significant goodwill

The significant proportion of the Group's goodwill has been allocated to BlueScope Buildings North America (a business within the Coated & Building Products North America segment).

BlueScope Buildings North America

BlueScope Buildings North America has \$218.1M of goodwill (76.7% of the Group's goodwill) and is tested for impairment on a VIU basis using five year cash flow projections, followed by a long-term growth rate of 2.5% for a further 25 years. Pre-tax VIU cash flows are discounted utilising a 14.5% pre-tax discount rate (2011: 15.0%).

22 Non-current assets - Intangible assets (continued)

At 30 June 2012 the recoverable value of this CGU is 1.5 times the carrying amount. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity, in particular the magnitude and timing of a recovery to pre global financial crisis activity levels. Taking into account external forecasts, the Company expects non-residential building and construction activity to increase significantly (13% per annum from the current historically low base over the five-year projection period) when general market conditions improve in North America but remain 20% below the levels experienced prior to the 2008 global financial crisis.

However, the timing and extent of this recovery is uncertain and in the absence of mitigating factors, a permanent 18% reduction in non-residential construction activity below pre global financial crisis levels, or more than a three-year period to achieve the projected recovery, would be required for the recoverable amount to be equal to the carrying amount.

23 Non-current assets - Other

	Consolidated	
	2012	2011
	\$M	\$M
Deferred charges and prepayments	2.6	2.7

24 Current liabilities - Payables

	Consolidated	
	2012	2011
	\$M	\$M
Trade payables	946.9	1,055.0
Other payables	102.2	101.6
	1,049.1	1,156.6

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 3.

25 Current liabilities - Borrowings

		Consolidated	
	Notes	2012	2011
		\$M	\$M
Secured			
Bank loans	12(f)	131.0	-
Other loans		5.2	55.5
Lease liabilities	41	6.3	4.6
		142.5	60.1
Unsecured			
Bank overdrafts	11	1.9	1.0
Bank loans		-	16.1
Other loans		0.5	93.5
Deferred borrowing costs		-	(5.0)
		2.4	105.6
Total current interest bearing liabilities		144.9	165.7

25 Current liabilities - Borrowings (continued)

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 30.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 3.

26 Current liabilities - Current tax liabilities

	Consolidated	
	2012	2011
	\$M	\$M
Income tax	72.7	23.1

27 Current liabilities - Provisions

	Consolidated	
	2012	2011
	\$M	\$M
Employee benefits - annual leave	71.9	91.6
Employee benefits - long service leave	137.5	153.1
Employee benefits - redundancy (a)	6.1	11.3
Employee benefits - other	66.7	86.3
Restructure (b)	82.3	2.9
Product claims (c)	20.1	20.7
Workers compensation (d)	14.2	15.6
Restoration and rehabilitation (e)	7.1	1.1
Carbon emissions (f)	2.8	8.5
Other	7.5	8.2
	416.2	399.3

(a) Redundancy

The employee redundancy provision reflects a range of internal reorganisations. Uncertainty exists around exact levels of redundancy payments caused by staff movements between the reporting date and key redundancy dates, in addition to the unknown potential for re employment of a limited number of redundant personnel within other areas of the business which share similar skill prerequisites. All redundancies are expected to take effect within 12 months of the reporting date.

(b) Restructure

The total restructuring provision includes \$84.8M (current \$61.8M, \$23.0M non-current) for incurred and estimated future costs arising from the closure of the No. 6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced to the market on 22 August 2011. The remaining restructuring provisions relate to the Coated and Buildings North America and Australia Distribution & Solutions segments.

Other restructure provisions are held across the Group to cover estimated future costs of announced site closures. The majority of the provisions are expected to be utilised within the next two to three years.

27 Current liabilities - Provisions (continued)

(c) Product claims

A provision for product claims is recognised for all products at the reporting date and is measured based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults. Due to the nature of this provision, uncertainty is inherent in the calculation of the extent and timing of predicted future claims costs.

(d) Workers compensation

In Australia and North America, BlueScope Steel Limited is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary. A contingent liability exists in relation to guarantees given to various state workers compensation authorities, due to self-insurance prerequisites (refer note 40).

For the Group, an actuarially determined asset of \$21.0M (2011: \$22.7M) has been recognised for expected future reimbursements associated with workers compensation recoveries from third parties. This amount is included in non-current other receivables (refer to note 17) as there is no legal right of offset against the workers compensation provision.

(e) Restoration and rehabilitation

Restoration and rehabilitation provisions include environmental liabilities based upon the assessment of BlueScope Distribution sites following the acquisition of Smorgon Steel Limited's Distribution business in August 2007. This provision had both \$6.9M current (2011: \$1.0M) and \$Nil non current (2011: \$2.3M) portions. Other restoration and rehabilitation non current provisions of \$9.9M (2011: \$4.3M) exist for New Zealand Steel in relation to their operation of two iron sand mines (refer to note 32). These provisions have been classified as non current as the timing of payments to remedy these sites will not be made until the distant future upon cessation of their operations. The extent of these future costs remains uncertain due to possibilities of changed site conditions.

Additionally, various businesses have recorded provisions of \$0.2M current (2011: \$0.1M) and \$3.0M non-current (2011: \$2.5M) in relation to leased sites that require rectification and restoration work at the end of their respective lease periods.

(f) Carbon emissions

The Group is a participant in the New Zealand Government's uncapped Emissions Trading Scheme (ETS) which was implemented with effect from 1 July 2010. The emissions liability is recognised as a provision for carbon and is measured with reference to the carrying amount of emission units (EUs) held with any excess measured at the current market value of EUs. ETS costs passed through from suppliers are included as part of the underlying cost of the good or service rendered. The liability for this cost pass through is either included within trade creditors or recorded as an emissions liability within the carbon provision account when an agreement has been reached with the supplier to settle the ETS cost by transferring EUs. When EUs are delivered to the government or a third party, the EU asset along with the corresponding carbon provision is derecognised from the statement of financial position. The Australian carbon pricing mechanism is to come into effect from 1 July 2012.

(g) Movements in provisions

The reconciliation of movement in provisions is set out in note 32.

(h) Amounts not expected to be settled within 12 months

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service. The entire annual leave amount and current portion of long service leave are presented as current since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave and long service leave or require payment within the next 12 months. The following amounts reflect leave currently classified as current that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2012	2011
	\$M	\$M
Current annual and long service leave obligation expected to be settled after 12 months	143.8	178.5

28 Current liabilities - Deferred income

	Consolidated 2012 \$M	2011 \$M
Deferred income	117.6	133.5

The fair value of deferred income approximates carrying value.

29 Non-current liabilities - Payables

	Consolidated 2012 \$M	2011 \$M
Other payables	7.5	6.9

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 3.

30 Non-current liabilities - Borrowings

	Notes	Consolidated 2012 \$M	2011 \$M
Secured			
Other loans		6.2	5.8
Lease liabilities	41	128.1	98.6
		134.3	104.4
Unsecured			
Bank Loans		111.5	490.3
Other loans		219.6	491.0
Deferred borrowing costs		(11.9)	(11.5)
		319.2	969.8
Total non-current borrowings		453.5	1,074.2

(a) Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

	Consolidated 2012 \$M	2011 \$M
Other loans	137.2	61.3
Lease liabilities	134.4	103.2
Total secured liabilities	271.6	164.5

30 Non-current liabilities - Borrowings (continued)

The carrying amounts of assets pledged as security for current and non current borrowings are:

	Notes	Consolidated 2012 \$M	2011 \$M
<i>Other loans</i>			
Property, plant and equipment		-	34.4
Receivables securitisation	12(f)	131.0	-
<i>Lease liabilities</i>			
Property, plant and equipment		127.0	99.3
Total assets pledged as security		258.0	133.7

The Group had a borrowing arrangement secured by various Western Port and Port Kembla plant, machinery and equipment which matured in August 2011.

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default. During the period, the Group entered into a finance lease for the use of equipment associated with the shipping of the iron sands from New Zealand.

(b) Set-off of assets and liabilities

New Zealand Steel Limited deposited surplus funds with a financial institution. The institution made advances up to an equivalent amount of the deposit to BlueScope Steel (Finance) Limited. These advances formed part of the hedge instrument, outlined in note 15(c), utilised to hedge the net investment in New Zealand Steel Limited. The Group had established a legal right of set-off with the financial institution. On 20 June 2012, the NZD borrowing was fully repaid (June 11: \$849.3M).

(c) Financing arrangements

As at the end of the period, the Group had the following material financing arrangements:

Bank loan facilities

Australian

Bank loan facilities consist of the following facilities:

- \$1,350M syndicated bank facility with a syndicate of banks. The facility is comprised of a \$675M tranche maturing in December 2013 and a \$675M tranche maturing in December 2015.

Non-Australian

Bank loan facilities are arranged for several non Australian businesses and are with a number of banks. Terms and conditions are agreed to on a periodic basis appropriate to the needs of the relevant businesses. Facilities for non Australian businesses include:

- Three long-term facilities totalling THB 2,500M (AUD 78M) are available for the BlueScope Steel (Thailand) Ltd cash requirements.
- Two short-term facilities totalling MYR 65M (AUD 20M) to support working capital and other short term cash requirements for BlueScope Steel (Malaysia) Sdn Bhd.

30 Non-current liabilities - Borrowings (continued)

Other facilities

- USD 220M of US Private Placement Loan Notes, with USD 150M due in 2014; USD 24M due in 2015 and USD 46M due in 2018. On 9 May 2012, the Company successfully closed a partial tender offer to repurchase USD 300.0M of its US Private Placement Notes at par plus accrued interest, and upon receipt of acceptances up-sized the repurchase to USD 305.4M. The repurchase was funded in US dollars using existing undrawn lines under the Company's syndicated bank facility. No early redemption or make-whole costs were incurred by BlueScope Steel in effecting the repurchase.
- In 2006, a sale and leaseback of various Western Port and Port Kembla plant and equipment was entered into raising approximately \$270M net cash. The relevant assets were leased back over a five year period. This transaction was accounted for as a borrowing, with final settlement occurring in August 2011.

Working Capital Facility - Trade receivables securitisation

- On 22 August 2011, BlueScope Distribution entered into a receivables securitisation program with NAB. The facility limit is \$150M which matures on 22 August 2013 (refer to note 12(f)).

Bank overdrafts

Bank overdraft facilities are arranged with a number of banks with the general terms and conditions agreed to on a periodic basis.

Unrestricted access was available at balance date to the following lines of credit:

	Consolidated	
	2012	2011
	\$M	\$M
Credit standby arrangements		
Total facilities		
Bank overdrafts	34.9	30.3
Bank loan facilities	1,461.3	1,524.9
	<u>1,496.2</u>	<u>1,555.2</u>
Used at balance date		
Bank overdrafts	1.9	1.0
Bank loan facilities	111.5	506.3
	<u>113.4</u>	<u>507.3</u>
Unused at balance date		
Bank overdrafts	33.0	29.3
Bank loan facilities	1,349.8	1,018.6
	<u>1,382.8</u>	<u>1,047.9</u>

(d) Risk exposures

Information about the Group's exposure to interest rate and foreign exchange risk is provided in note 3.

31 Non-current liabilities - Deferred tax liabilities

	Consolidated	
	2012	2011
	\$M	\$M
The balance comprises temporary differences attributable to:		
<i>Amounts recognised in profit or loss</i>		
Doubtful debts provision	(1.8)	(2.3)
Employee benefits	(43.0)	(27.1)
Claims provision	(2.7)	(2.5)
Other provisions	(5.9)	(5.6)
Depreciation	68.9	84.5
Foreign exchange (gains) losses	0.1	(0.1)
Inventory	(6.7)	1.2
Investments	(3.7)	(0.2)
Intangible assets	21.7	25.8
Tax losses	(10.8)	(3.8)
Other	2.6	(0.8)
	18.7	69.1

Notes

Movements:

Opening balance at 1 July		69.1	134.3
Charged (credited) to profit or loss	9	(22.4)	(64.6)
Charged (credited) to contributed equity		-	(0.1)
Charged (credited) to other comprehensive income		(23.1)	15.5
Disposal of subsidiary		(9.2)	-
Exchange fluctuation		4.3	(16.0)
Closing balance at 30 June		18.7	69.1

32 Non-current liabilities - Provisions

	Consolidated	
	2012	2011
	\$M	\$M
Employee benefits - long service leave	22.3	21.7
Employee benefits - other	4.2	0.9
Restructure	38.9	4.9
Product claims	44.7	47.9
Workers compensation	112.8	107.7
Restoration and rehabilitation	12.9	9.1
Other	0.9	1.3
	236.7	193.5

For a description of each class of provision, refer to note 27.

(a) Movements in provisions

Movements in each class of provision during the financial year, other than employee benefits, are set out below:

32 Non-current liabilities - Provisions (continued)

	Restructure \$M	Product claims \$M	Workers compensation \$M	Restoration and rehabilitation \$M	Carbon Emissions \$M	Other \$M	Total \$M
Consolidated - 2012							
Current and non-current							
Carrying amount at start of the year	7.8	68.6	123.3	10.2	8.5	9.5	227.9
Additional provisions recognised (refer to note 8)	403.6	10.2	16.7	3.8	12.0	4.6	450.9
Unutilised provisions written back	-	-	-	-	-	(3.8)	(3.8)
Capitalised provision (i)	-	-	-	5.2	-	-	5.2
Amounts used during the period	(291.3)	(15.9)	(16.8)	(0.3)	(17.8)	(1.8)	(343.9)
Exchange fluctuations	0.1	0.8	0.5	-	0.1	0.2	1.7
Transfers	0.5	-	-	0.8	-	(0.2)	1.1
Unwinding of discount	0.5	1.9	3.7	0.3	-	-	6.4
Disposal of subsidiary	-	(0.8)	(0.4)	-	-	(0.1)	(1.3)
Other	-	-	-	-	-	-	-
Carrying amount end of year	121.2	64.8	127.0	20.0	2.8	8.4	344.2

(i) The \$5.2M capitalised restoration and rehabilitation provision relates to adjustments made to the end of mine life site rehabilitation provision at New Zealand Steel arising primarily from a material decrease in Government bond rates. This amount has been capitalised as part of Land and Buildings and is to be amortised over the remaining mine lives, subject to further adjustments for future bond rate movements and changes in estimates of costs to rehabilitate.

33 Non-current liabilities - Retirement benefit obligations

(a) Superannuation benefits

All employees of the Group are entitled to benefits on resignation, retrenchment, retirement, death or disablement.

Australian employees are entitled to benefits from a superannuation plan they select under the Australian Government's choice of fund legislation. The Australian Group has two default superannuation plans under choice of fund. New employees become members of one of those default plans if they do not actively choose an alternative plan. One of the default plans, the BlueScope Steel Superannuation Fund, has a defined benefit section and a defined contribution section. The defined benefit plan is closed to new participants. The other default plan, Australian Super, and any other superannuation plans chosen by Australian employees, are defined contribution plans under which the Australian Group's legal or constructive obligation is limited to making fixed contributions.

New Zealand employees are members of either the New Zealand Steel Pension Fund, being a defined benefit plan, or the Retirement Savings Plan, a defined contribution master trust managed by Tower Employee Benefits Limited. The defined benefit plan is closed to new participants.

In North America, employees previously belonging to the Butler Manufacturing Company are members of the Butler Manufacturing Base Retirement Plan, a defined benefit fund which has been closed to new participants since 31 December 2004. Employees hired on or after 1 January 2004 receive a retirement contribution from the Butler Employee Savings Trust (BEST) which is a defined contribution plan. Employees previously sponsored by the VP Salaried, VP Hourly and IMSA Steel defined benefit plans were merged into the Butler Base Retirement Plan effective 31 December 2008.

The Group also makes superannuation contributions to defined contribution funds in respect of the entity's employees located in other countries.

Defined benefit funds provide defined lump sum benefits based on years of service and final or average salary. The defined contribution plans receive fixed contributions from Group companies with the Group's legal obligation limited to these contributions.

Actuarial assessments of the defined benefit funds are made at no more than three yearly intervals, with summary assessments performed annually. The last formal actuarial investigations were made of the BlueScope Steel Superannuation Fund as at 30 June 2011, the New Zealand Steel Pension Fund as at 30 June 2009, and the Butler Base Retirement Plan as at 1 January 2012. Summary actuarial assessments were performed for all of these funds as at 30 June 2012, to provide information that is more up to date than that of the most recent formal actuarial investigation.

33 Non-current liabilities - Retirement benefit obligations (continued)

(b) Statement of financial position amounts

The following sets out details in respect of the defined benefit section only.

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated 2012 \$M	2011 \$M
Present value of the defined benefit obligation	(1,249.1)	(1,093.5)
Fair value of defined benefit plan assets	817.1	922.8
Net (liability) asset in the statement of financial position	(432.0)	(170.7)

(c) Defined benefit funds to which BlueScope Steel employees belong

2012	BlueScope Steel Superannuation Fund \$M	New Zealand Pension Fund \$M	Coated & Building Products North America \$M	Total \$M
Present value of the defined benefit obligation	(412.0)	(433.2)	(403.9)	(1,249.1)
Fair value of defined benefit plan assets	287.7	236.4	293.0	817.1
Net (liability) asset in the statement of financial position	(124.3)	(196.8)	(110.9)	(432.0)
Defined benefit expense	7.7	8.2	0.1	16.0
Employer contribution	14.8	15.5	12.5	42.8
<i>Principal actuarial assumption</i>	%	%	%	
Discount rate (gross of tax)	3.0	3.5	4.0	
Expected return on plan assets (net of tax)	6.5	5.8	7.0	
Future salary increases	3.0	3.0	3.8	

2011	BlueScope Steel Superannuation Fund \$M	New Zealand Pension Fund \$M	Coated & Building Products North America \$M	Total \$M
Present value of the defined benefit obligation	(484.3)	(307.4)	(301.8)	(1,093.5)
Fair value of defined benefit plan assets	445.0	234.2	243.6	922.8
Net (liability) asset in the statement of financial position	(39.3)	(73.2)	(58.2)	(170.7)
Defined benefit expense	10.0	8.8	1.4	20.2
Employer contribution	16.4	14.3	28.0	58.7
<i>Principal actuarial assumption</i>	%	%	%	
Discount rate (gross of tax)	5.3	5.1	5.5	
Expected return on plan assets (net of tax)	7.5	6.3	7.5	
Future salary increases	3.5	4.0	4.0	

The net liability is not immediately payable. Any plan surplus will be realised through reduced future Company contributions.

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

33 Non-current liabilities - Retirement benefit obligations (continued)

(d) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated 2012 \$M	2011 \$M
Cash	2.9	3.3
Equity instruments	361.7	459.6
Debt instruments	418.5	415.7
Property	34.0	44.2
	<u>817.1</u>	<u>922.8</u>

(e) Reconciliations

	Consolidated 2012 \$M	2011 \$M
<i>Reconciliation of the present value of the defined benefit obligation, which is partly funded:</i>		
Balance at the beginning of the year	1,093.5	1,126.8
Current service cost	25.7	26.3
Interest cost	56.8	53.7
Actuarial losses (gains)	253.6	38.3
Foreign currency exchange rate changes	28.2	(91.4)
Benefits paid	(94.6)	(54.2)
Settlements	(107.8)	-
Allowance for contributions tax on net liability	(4.6)	(4.0)
Loss (gains) on curtailments	(0.7)	(0.4)
Other	(1.0)	(1.6)
Balance at the end of the year	<u>1,249.1</u>	<u>1,093.5</u>
<i>Reconciliation of the fair value of plan assets:</i>		
Balance at the beginning of the year	922.8	896.7
Expected return on plan assets	63.7	57.0
Actuarial gains (losses)	(25.1)	33.4
Foreign currency exchange rate changes	18.8	(65.6)
Contributions by the Group	42.8	58.7
Tax on employer contributions	(7.3)	(6.5)
Contributions by plan participants	4.9	4.9
Benefits paid	(94.6)	(54.2)
Settlements	(107.8)	-
Other	(1.1)	(1.6)
Balance at the end of the year	<u>817.1</u>	<u>922.8</u>

33 Non-current liabilities - Retirement benefit obligations (continued)

(f) Amounts recognised in profit or loss

The amounts recognised in profit or loss in respect of defined benefit plans are as follows:

	Consolidated 2012 \$M	2011 \$M
Current service cost	25.7	26.3
Contributions by plan participants	(4.9)	(4.9)
Interest cost	56.8	53.7
Expected return on plan assets	(63.7)	(57.0)
Allowance for contributions tax on net liability	2.7	2.5
Losses (gains) on curtailments and settlements	(0.7)	(0.4)
Total included in employee benefits expense	<u>16.0</u>	<u>20.2</u>
Actual return on plan assets	<u>40.0</u>	<u>90.4</u>

(g) Amounts recognised in other comprehensive income

	Consolidated 2012 \$M	2011 \$M
Actuarial losses recognised in other comprehensive income during the year	<u>(278.7)</u>	(4.9)
Cumulative actuarial losses recognised in other comprehensive income	<u>(555.2)</u>	(276.5)

(h) Employer contributions

Employer contributions to the defined benefit section of the Group's plans are based on recommendations by the plan's actuaries. Actuarial assessments are made no less frequently than once every three years. The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable.

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2012 are \$58.2M.

Funding recommendations are made by the actuary based on their forecast of various matters, including future plan assets performance, interest rates and salary increases. A summary of the key economic assumptions for each of the Group's defined benefit plans is outlined in note 33(c).

(i) Historic summary

	2012 \$M	2011 \$M	2010 \$M	2009 \$M	2008 \$M
Present value of defined benefit plan obligation	(1,249.1)	(1,093.5)	(1,126.8)	(1,052.0)	(1,112.4)
Fair value of defined benefit plan assets	<u>817.1</u>	<u>922.8</u>	<u>896.7</u>	<u>791.4</u>	<u>908.0</u>
Net (liability) asset in the statement of financial position	<u>(432.0)</u>	<u>(170.7)</u>	<u>(230.1)</u>	<u>(260.6)</u>	<u>(204.4)</u>
Experience adjustments arising on plan liabilities	(253.6)	(38.3)	(114.0)	135.6	13.7
Experience adjustments arising on plan assets	(25.1)	33.4	81.0	(239.2)	(156.4)

34 Non-current liabilities - Deferred income

	Consolidated 2012 \$M	2011 \$M
Deferred income	<u>4.1</u>	4.3

35 Contributed equity

(a) Share capital

	Notes	Parent Entity		Parent Entity	
		2012 Shares	2011 Shares	2012 \$M	2011 \$M
Issued fully paid ordinary shares	(d)	<u>3,349,185,247</u>	1,842,207,385	<u>4,661.4</u>	4,073.8
(b) Other equity securities					
Treasury Shares	(e)	<u>(6,935,600)</u>	-	<u>(11.3)</u>	-
Total Contributed equity				<u>4,650.1</u>	<u>4,073.8</u>

(c) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue/ redemption price	\$M
1 Jul 2010	Opening balance		1,823,322,017		4,032.4
	Long Term Incentive Plan - 2005	(g)	17,000	\$3.89	-
20 Oct 2010	Dividends Reinvestment Plan - 2010 final	(f)	18,839,253	\$2.19	41.3
1 Nov 2010	General Employee Share Plan - 2008	(h)	29,115	\$10.34	0.3
	Less: Cost of capital issues		-		(0.3)
	Plus: Tax credit recognised directly in equity		-		0.1
30 June 2011	Balance		<u>1,842,207,385</u>		<u>4,073.8</u>
	General Employee Share Plan - 2009	(h)	27,371	\$9.26	0.2
	Share Plan Retention awards	(i)	6,935,600	\$1.62	11.3
	Capital raising	(j)	1,500,014,891	\$0.40	600.0
	Less: Cost of capital issues		-		(23.9)
30 June 2012	Balance		<u>3,349,185,247</u>		<u>4,661.4</u>

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

35 Contributed equity (continued)

(e) Treasury shares

Treasury shares are shares in BlueScope Steel Limited that are held by the BlueScope Employee Share Trust for the purpose of issuing shares under the Share Plan Retention Scheme (see note 50 for further information).

Date	Details	Number of shares	\$M
30 Jun 2011	Opening balance	-	-
16 Sep 2011	Share Plan Retention Awards	(6,935,600)	(11.3)
30 June 2012	Balance	(6,935,600)	(11.3)

(f) Dividend Reinvestment Plan

The Dividend Reinvestment Plan enables shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash.

(g) Share rights

Information relating to the Long Term Incentive Plan, including details of share rights issued, vested and lapsed during the financial year and share rights outstanding at the end of the financial year, is set out in note 50(a).

(h) General Employee Share Plans

The aim of General Employee Share Plans is, in recognition of Company performance, to assist employees to build a stake in the Company by enabling each eligible employee to acquire a parcel of shares. Employees who become shareholders have the potential to benefit from dividends paid on the shares, growth in the market value of their shares and any bonus shares or rights issues the Board of Directors may approve from time to time. Information relating to employee share plans, including details of shares issued under plans, is set out in note 50(b).

(i) Retention share awards

Share-based retention schemes were put in place with shares issued and held on trust for three years and are subject to forfeiture should an employee leave.

(j) Capital raising

On 22 November 2011, BlueScope Steel Limited announced a fully underwritten four-for-five accelerated renounceable entitlement offer with rights trading of new BlueScope Steel shares at an offer price of \$0.40 per new share, which raised \$600.0M (\$576.1M, net of transaction costs).

(k) Capital risk management

Management monitors its capital structure through various key financial ratios with emphasis on the gearing ratio (net debt/total capital). The Group's gearing ratio is managed in order to ensure an investment grade quality balance sheet through the steel price cycle, and to ensure access to finance at reasonable cost regardless of the point in the cycle. On occasions, the Group will take advantage of certain investment opportunities where an increased level of gearing will be tolerated, provided there is sufficient future cash flow strength and flexibility to be confident of credit strengthening rather than uncertainty and risk of credit weakening.

In order to achieve the objectives above, management actively manages debt and equity. In terms of managing equity, all methods of returning funds to shareholders outside of dividend payments or raising funds are considered within the context of its balance sheet objectives. In managing debt, the Group seeks a diversified range of funding sources and maturity profiles. Sufficient flexibility is maintained within committed facilities in order to provide the business with the desired liquidity support for operations and to pursue its strategic objectives.

35 Contributed equity (continued)

The Group's gearing ratio is as follows:

	Notes	Consolidated 2012 \$M	2011 \$M
Total borrowings	25, 30	598.4	1,239.9
Less: Cash and cash equivalents	11	(214.5)	(172.2)
Net debt		383.9	1,067.7
Total equity		3,778.8	4,396.1
Total capital		4,162.7	5,463.8
Gearing ratio		9.2%	19.5%

36 Reserves and retained profits

(a) Reserves

	Notes	Consolidated 2012 \$M	2011 \$M
Share-based payments		29.5	22.8
Foreign currency translation reserve		(309.8)	(361.0)
Non-distributable profits reserve		13.3	13.4
		(267.0)	(324.8)

Movements:

Hedging reserve - cash flow hedges

Opening balance	-	(0.3)
Net gain (loss)	-	(0.6)
Transfer to inventory	-	1.0
Deferred tax	-	(0.1)
Closing balance	-	-

Share-based payments

Opening balance	22.8	16.6
Share-based payments expense	7.0	6.6
Transfer to share capital	(0.2)	(0.4)
Other	(0.1)	-
Closing balance	29.5	22.8

Foreign currency translation

Opening balance	(361.0)	(147.8)
Net gain (loss) on hedges of subsidiaries	(2.4)	(13.0)
Deferred tax on investments in subsidiaries	0.7	3.9
Currency translation differences arising during the year	41.6	(204.1)
Transferred to profit or loss on disposal of subsidiaries	11.6	-
Other	(0.3)	-
Closing balance	(309.8)	(361.0)

Non-distributable profits reserve

Opening balance	13.4	13.1
Exchange fluctuations	(0.1)	0.3
Closing balance	13.3	13.4

36 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	Notes	Consolidated 2012 \$M	2011 \$M
Opening balance		559.8	1,747.3
Profit (loss) for the year		(1,043.5)	(1,054.2)
Dividends paid	37	-	(128.0)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	33	(278.7)	(4.9)
Deferred tax		58.3	(0.4)
Other		0.3	-
Closing balance		<u>(703.8)</u>	<u>559.8</u>

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

This reserve is used to record gains or losses on hedging instruments that are determined to be an effective hedge and therefore qualify for hedge accounting, as described in note 1(r). The Group manages a cash flow hedging program in relation to electricity purchases. Gains or losses from electricity hedging instruments are recognised within inventory in the statement of financial position when the hedged electricity cash flows are transacted.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of unexercised share rights issued to employees that may or may not have met vesting conditions. The share based payments reserve is also used to recognise the fair value of benefits awarded under General Employee Share Plans that have not vested at the reporting date. Once either share rights are exercised or shares are issued according to the conditions of General Employee Share Plans the fair value of the related benefit is transferred into ordinary issued share capital. Refer to note 50(a) for details of share rights exercised during the period.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are recognised in other comprehensive income as described in note 1(f) and accumulated in a separate reserve within equity. It is also used to recover the effect of hedging net investments in foreign operations. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

(iv) Non-distributable profit reserve

In certain overseas operations local regulations require a set amount of retained profit to be set aside and not be distributed as a dividend.

37 Dividends

(a) Ordinary shares

	Parent entity	
	2012	2011
	\$M	\$M
In the comparative period, a final dividend of 5 cents per fully paid share was paid on 20 October 2010 in relation to the year ended 30 June 2010.		
There was no final dividend declared in relation to the year ended 30 June 2011.		
Final fully franked based on tax paid @ 30%	-	91.2
In the comparative period, an interim dividend of 2 cents per fully paid share was paid on 4 April 2011 in relation to the year ended 30 June 2011. There was no interim dividend declared for the year ended 30 June 2012.		
Final fully franked based on tax paid @ 30%	-	36.8
Total dividends provided for or paid	-	128.0

(b) Dividends not recognised at year-end

For the year ended 30 June 2012 the directors recommended that there will be no final dividend declared (June 2011: \$Nil).

(c) Franked dividends

	Parent entity	
	2012	2011
	\$M	\$M
Actual franking account balance as at the reporting date	72.1	52.6
Franking credits available for subsequent financial years based on a tax rate of 30%	72.1	52.6

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- (a) franking credits (debits) that will arise from the payment (receipt) of the amount of the provision for income tax;
- (b) franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- (c) franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

(d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is \$Nil (2011: \$86.7M) as presented in the statement of cash flows.

38 Key management personnel disclosures

(a) Directors

The following persons were directors of BlueScope Steel Limited during the financial year:

(i) *Chairman non-executive*

G J Kraehe, AO

(ii) *Executive director*

P F O'Malley, Managing Director

(iii) *Non-executive directors*

R J McNeilly

D J Grady, AM

H K McCann, AM

Y P Tan

D B Grollo

K A Dean

P Bingham Hall

(b) Other key management personnel

In addition to P F O'Malley, the following personnel formed part of the Executive Leadership Team and also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the entire financial year (except as noted):

<i>Name</i>	<i>Position</i>
N H Cornish	Chief Executive Australian & New Zealand Steel Manufacturing Businesses (resigned 31 July 2011)
I R Cummin	Executive General Manager People and Organisation Performance
M R Vassella	Chief Executive BlueScope Steel Australia and New Zealand
M G Barron	Chief Legal Officer and Company Secretary
P E O'Keefe	Chief Executive Australian Coated & Industrial Markets (redundant 27 January 2012)
S R Elias	Chief Financial Officer
S Dayal	Chief Executive Asia
K A Mitchelhill	Chief Executive North America
R J Moore	President China
P J Finan	Executive General Manager, Global Building & Construction Markets.

(c) Key management personnel compensation

	Consolidated	
	2012	2011
	\$'000	\$'000
Short-term employee benefits	11,324.5	12,009.6
Post-employment benefits	346.7	432.4
Other long-term benefits	336.0	231.9
Termination benefits	-	578.8
Share-based payments	4,385.5	2,452.2
	16,392.7	15,704.9

Detailed remuneration disclosures for directors and executives are provided in the 30 June 2012 Remuneration Report.

(d) Equity instrument disclosures relating to key management personnel

(i) *Share rights provided as remuneration and shares issued on vesting of such share rights*

Details of share rights provided as remuneration and shares issued on the exercise of such share rights, together with terms and conditions of the share rights, can be found in the 30 June 2012 Remuneration Report.

38 Key management personnel disclosures (continued)

(ii) *Share rights holdings*

The numbers of options over ordinary shares in the Company held during the financial year by each Director of BlueScope Steel Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2012								
Name	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of BlueScope Steel Ltd								
P F O'Malley	2,677,731	-	-	(70,100)	-	2,607,631	-	2,607,631
Other key management personnel								
N H Cornish ¹	668,170	-	-	(446,977)	-	221,193	-	221,193
M R Vassella	584,568	1,932,370	-	-	-	2,516,938	-	2,516,938
P E O'Keefe ¹	454,429	-	-	(149,292)	-	305,137	-	305,137
I R Cummin	496,289	1,198,070	-	(53,900)	-	1,640,459	-	1,640,459
M G Barron	491,989	1,198,070	-	(49,600)	-	1,640,459	-	1,640,459
S R Elias	522,919	1,474,400	-	-	-	1,997,319	-	1,997,319
S Dayal	470,710	1,700,480	-	-	-	2,171,190	-	2,171,190
K A Mitchelhill	529,980	1,646,380	-	-	-	2,176,360	-	2,176,360
P J Finan	347,210	1,023,020	-	(28,000)	-	1,342,230	-	1,342,230
R J Moore	365,183	1,167,150	-	(24,000)	-	1,508,333	-	1,508,333

¹ N H Cornish retired from the Company on 31 July 2011 and P E O'Keefe was made redundant on 27 January 2012.

2011								
Name	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of BlueScope Steel Ltd								
P F O'Malley	1,477,511	1,200,220	-	-	-	2,677,731	-	2,677,731
Other key management personnel								
N H Cornish	393,810	274,360	-	-	-	668,170	-	668,170
M R Vassella	314,758	269,810	-	-	-	584,568	-	584,568
P E O'Keefe	249,539	204,890	-	-	-	454,429	-	454,429
I R Cummin	293,429	202,860	-	-	-	496,289	-	496,289
M G Barron	289,129	202,860	-	-	-	491,989	-	491,989
S R Elias	277,469	245,450	-	-	-	522,919	-	522,919
S Dayal	225,400	245,310	-	-	-	470,710	-	470,710
K A Mitchelhill	263,820	266,160	-	-	-	529,980	-	529,980
P J Finan ² (appointed 1 November 2010)	-	175,210	-	-	172,000	347,210	-	347,210
R J Moore ² (appointed 1 December 2010)	-	183,420	-	-	181,763	365,183	-	365,183

² Start balance is taken at the date of appointment to the Executive Leadership Team. Mr Finan and Mr Moore's Share Rights holdings for 30 June 2011 includes share right awards from 2006, 2007, 2008, 2009 and 2010.

38 Key management personnel disclosures (continued)

(iii) *Share holdings*

The numbers of shares in the Company held during the financial year by each Director of BlueScope Steel Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2012					
Name	Balance at the start of the year	Received during the year on the exercise of options	Shares granted as compensation	Other changes during the year	Balance at the end of the year
Directors of BlueScope Steel Ltd					
G J Kraehe	286,276	-	-	355,021	641,297
R J McNeilly	1,321,502	-	-	1,057,202	2,378,704
D J Grady	128,382	-	-	248,625	377,007
H K McCann	152,720	-	-	9,648	162,368
Y P Tan	157,116	-	-	125,693	282,809
D B Grollo	128,156	-	-	102,525	230,681
P F O'Malley	227,613	-	-	272,091	499,704
K A Dean	41,624	-	-	105,300	146,924
P Bingham Hall	-	-	-	122,000	122,000
Other key management personnel					
Ordinary shares					
N H Cornish ¹	67,199	-	-	-	67,199
I R Cummin	336,679	-	402,600	2,613	741,892
M R Vassella	57,303	-	649,400	1,000	707,703
M G Barron	191,924	-	402,600	1,000	595,524
S R Elias	10,000	-	495,500	55,980	561,480
P E O'Keefe ¹	15,303	-	-	100,000	115,303
S Dayal	20,000	-	-	-	20,000
K A Mitchelhill	77,666	-	553,300	43,133	674,099
P J Finan	63,695	-	306,400	123,756	493,851
R J Moore	335,315	-	392,300	619,093	1,346,708

¹ N H Cornish retired from the Company on 31 July 2011 and P E O'Keefe was made redundant on 27 January 2012.

2011					
Name	Balance at the start of the year	Received during the year on the exercise of options	Shares granted as compensation	Other changes during the year	Balance at the end of the year
Directors of BlueScope Steel Ltd					
G J Kraehe	286,276	-	-	-	286,276
R J McNeilly	1,321,502	-	-	-	1,321,502
D J Grady	128,382	-	-	-	128,382
H K McCann	152,720	-	-	-	152,720
Y P Tan	157,116	-	-	-	157,116
D B Grollo	128,156	-	-	-	128,156
P F O'Malley	227,613	-	-	-	227,613
K A Dean	26,624	-	-	15,000	41,624
P Bingham Hall	-	-	-	-	-
Other key management personnel					
Ordinary shares					
N H Cornish	68,584	-	-	(1,385)	67,199
I R Cummin	338,292	-	-	(1,613)	336,679
M R Vassella	57,303	-	-	-	57,303
M G Barron	191,924	-	-	-	191,924
S R Elias	-	-	-	10,000	10,000
P E O'Keefe	15,303	-	-	-	15,303
S Dayal	20,000	-	-	-	20,000
K A Mitchelhill	77,666	-	-	-	77,666
P J Finan ² (appointed 1 November 2010)	-	-	-	63,695	63,695
R J Moore ² (appointed 1 December 2010)	-	-	-	355,315	355,315

² Start balance is taken at the date of appointment to the Executive Leadership Team.

38 Key management personnel disclosures (continued)

(e) Loans to key management personnel

There have been no loans granted to directors and executives or their related entities.

(f) Other transactions with key management personnel

Mr Daniel Grollo is a director of Grocon Pty Ltd, a privately owned company. Grocon occasionally purchases Lysaght building products from the BlueScope Steel Group on normal terms and conditions. Total amounts purchased from the BlueScope Steel Group by Grocon for the 12 months ended 30 June 2012 was \$96,350 (2011: \$105,369).

In the normal course of business the Company occasionally enters into transactions with various entities that have directors in common with BlueScope Steel. Transactions with these entities are made on commercial arm's length terms and conditions. The relevant directors do not participate in any decisions regarding these transactions.

Mr Cornish retired from the Company on 31 July 2011. No payments other than statutory entitlements were paid. The Company entered into an agreement with Mr Cornish for the provision of consultancy services for the period of up to two years. As part of this arrangement Mr Cornish is a member of the Boards of North Star BlueScope Steel and Tata BlueScope Steel. He also represents Bluescope on the Executive of AI Group and provides safety leadership across our operations, particularly in Asia. In addition, Mr Cornish provided project management leadership during the commissioning of MCL2 in Indonesia. He was paid \$540,000 for the period ending 30 June 2012.

39 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, and its related practices:

(a) Audit services

	Consolidated	
	2012	2011
	\$	\$
<i>Audit and review of financial statements and other audit work under the Corporations Act 2001:</i>		
Ernst & Young (including overseas Ernst & Young firms)	4,735,471	3,512,084

(b) Other services

(i) Audit-related assurance services

Ernst & Young Australian firm:

Greenhouse gas emissions related assurance	44,800	-
Equity raising related assurance	178,333	-
Debt funding related assurance	164,403	-
Restructuring activity related assurance	175,000	-
Acquisition-related investigating accountant services	-	742,111

(ii) Other non-audit services

Ernst & Young Australian firm

Tax compliance services	74,208	55,994
Other advisory services	-	160,004

Related practices of Ernst & Young Australian firm
(including overseas Ernst & Young firms)

Tax compliance services	110,187	180,488
	746,931	1,138,597

40 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2012 in respect of:

(i) Outstanding legal matters

Outstanding legal matters

	Consolidated	
	2012	2011
	\$M	\$M
Contingencies for various legal disputes	10.5	1.0
	10.5	1.0

A range of outstanding legal matters exist that are contingent on court decisions, arbitration rulings and private negotiations to determine amounts required for settlement. It is not practical to provide disclosure requirements relating to each and every case.

In addition to the above contingencies, a supplier commenced legal proceedings seeking damages for alleged breaches of contract totalling approximately \$16.5M, plus interest. The court held BlueScope Steel not liable for the damages claimed. The supplier has appealed the court's decision with the hearing set for October 2012.

Guarantees

In Australia, BlueScope Steel Limited has provided \$139.6M (2011: \$140.3M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of \$99.1M (2011: \$92.8M) has been recorded in the consolidated financial statements as recommended by independent actuarial advice.

Bank guarantees have been provided to customers in respect of the performance of goods and services supplied. Bank guarantees outstanding at 30 June 2012 totalled \$46.1M (2011: \$42.1M).

Associates and joint ventures

For contingent liabilities relating to associates and joint ventures refer to notes 45 and 46 respectively.

Taxation

The Australian Taxation Office (ATO) has issued BSL with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year for the purpose of raising funding of approximately \$270M in connection with its general business operations. The assessments are in respect of the 2007 and 2008 income tax years for a total amount of \$174.2M, including penalties and interest of approximately \$65M. These assessments are based on two alternative determinations by the ATO relating, firstly, to the assessment of the gain made on the sale of the equipment and, secondly, to the denial of the deduction for lease rentals paid to the new owner of the equipment.

If BSL is unsuccessful, BSL's maximum liability in relation to the first assessment would be approximately \$140M (including penalties and interest of \$53M) and BSL's maximum liability in relation to the second assessment (after appropriate compensatory adjustments) would be approximately \$51M to \$63M (including penalties and interest of \$18M to \$22M). BSL considers that these assessments involve mutually exclusive outcomes and that the real amount of tax in dispute relates to the second assessment.

BSL believes that its treatment of the transaction is correct and is supported by both the existing case law and the ATO's published ruling on sale and leaseback transactions. BSL will defend the assessments and pursue all necessary avenues of objection. However, resolution of this matter is likely to take some time. In accordance with ATO guidelines, BSL made a \$21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. As at 30 June 2012, this amount has been provided for in the income tax provision with a corresponding increase in non-current tax receivable.

40 Contingencies (continued)

In addition to this matter, the Group operates in many countries across the world, each with separate taxation authorities, which results in significant complexity. At any point in time there are tax computations which have been submitted but not agreed by those tax authorities and matters which are under discussion between Group companies and the tax authorities. The Group provides for the amount of tax it expects to pay taking into account those discussions and professional advice it has received. While conclusion of such matters may result in amendments to the original computations, the Group does not believe that such adjustments will have a material adverse effect on its financial position, although such adjustments may be significant to any individual year's income statement.

(b) Contingent assets

No assets have been booked in relation to the recovery of any of the following claims due to the inherent uncertainty surrounding these amounts:

- The Group has lodged a claim for the cumulation of workers compensation insurance recoveries on old pre-demerger policies. The insurance company's position is unclear and therefore recoveries remain uncertain.

41 Commitments

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	Consolidated	
	2012	2011
	\$M	\$M
Property, plant and equipment		
Payable:		
Within one year	47.3	61.3
Later than one year but not later than five years	13.6	6.3
	60.9	67.6

Joint ventures

For commitments relating to joint ventures refer to note 46 .

(b) Lease commitments: Group as lessee

(i) Non-cancellable operating leases

The Group leases various property, plant and equipment under non-cancellable operating leases. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated. There are no restrictions placed upon the lessee by entering into these leases.

	Consolidated	
	2012	2011
	\$M	\$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	99.4	100.0
Later than one year but not later than five years	263.8	298.4
Later than five years	344.2	260.6
	707.4	659.0

41 Commitments (continued)

(ii) Finance leases

The Group leases various property, plant and equipment with a carrying amount of \$127.0M (2011: \$99.3M).

During the period, the Group entered into a finance lease of USD 34.2M for the use of equipment associated with the transport of iron sands from New Zealand.

The terms and conditions of other leases include varying terms, purchase options and escalation clauses. On renewal, the terms of these are renegotiated.

There are no restrictions of use placed upon the lessee by entering into any of these leases.

		Consolidated	
	Notes	2012	2011
		\$M	\$M
Commitments in relation to finance leases are payable as follows:			
Within one year		18.8	15.6
Later than one year but not later than five years		86.0	59.3
Later than five years		143.1	130.9
Minimum lease payments		<u>247.9</u>	<u>205.8</u>
Future finance charges		<u>(113.5)</u>	<u>(102.6)</u>
Recognised as a liability		<u>134.4</u>	<u>103.2</u>
Representing lease liabilities:			
Current	25	6.3	4.6
Non-current	30	<u>128.1</u>	<u>98.6</u>
		<u>134.4</u>	<u>103.2</u>

42 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is BlueScope Steel Limited, which is incorporated in Australia.

(b) Subsidiaries

Interests in subsidiaries are set out in note 43.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 38.

42 Related party transactions (continued)

(d) Transactions with other related parties

The following transactions occurred with related parties other than key management personnel or entities related to them:

	Consolidated 2012 \$M	2011 \$M
<i>Sales of goods and services</i>		
Sales of goods to associates	6.6	10.6
Sales of goods to joint venture partnerships	12.4	16.5
<i>Interest revenue</i>		
Associates	0.1	0.1
Other related parties	0.1	1.1
<i>Superannuation contributions</i>		
Contributions to superannuation funds on behalf of employees	121.3	141.8

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties other than key management personnel:

	Consolidated 2012 \$	2011 \$
<i>Current receivables (sales of goods and services)</i>		
Joint venture partnerships	1.6	5.6
<i>Current receivables (loans)</i>		
Associates	1.1	1.0
Other related parties	-	5.0
<i>Current payable (purchase of goods and services)</i>		
Associates	2.7	2.2

(f) Loans to/from related parties

	Consolidated 2012 \$	2011 \$
<i>Loans to other related parties</i>		
Repayments	1.0	5.7

42 Related party transactions (continued)

(g) Terms and conditions

Sales of finished goods and purchases of raw materials from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

The terms and conditions of the tax funding agreement are set out in note 51.

With the exception that there are no fixed terms for the repayment of loans between the parties, all other transactions were made on normal commercial terms and conditions and at market rates.

Outstanding balances are unsecured and are repayable in cash.

Other director transactions with group entities

Transactions with related parties of directors of wholly owned subsidiaries within the BlueScope Steel Group total \$1.7M (2011: \$2.3M). These transactions have been made on commercial arm's length terms and conditions.

43 Subsidiaries

(a) Significant investments in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following principal subsidiaries in accordance with the accounting policy described in note 1(d):

Name of entity	Note	Country of incorporation	Equity holding 2012	Equity holding 2011
Amari Wolff Steel Pty Ltd	(a)	Australia	100	100
Australian Iron & Steel Pty Ltd		Australia	100	100
BlueScope Building Solutions Pty Ltd	(a)	Australia	100	100
BlueScope Distribution Pty Ltd	(a)	Australia	100	100
BlueScope Steel Asia Holdings Pty Ltd		Australia	100	100
BlueScope Steel (AIS) Pty Ltd		Australia	100	100
BlueScope Steel Employee Share Plan Pty Ltd		Australia	100	100
BlueScope Steel (Finance) Ltd		Australia	100	100
BlueScope Steel Logistics Co Pty Ltd	(a)	Australia	100	100
BlueScope Steel Americas Holdings Pty Ltd		Australia	100	100
BlueScope Pty Ltd		Australia	100	100
BlueScope Solutions Holdings Pty Ltd	(a) (e)	Australia	100	100
Glenbrook Holdings Pty Ltd		Australia	100	100
BlueScope Construction Ltd	(a) (e)	Australia	100	100
John Lysaght (Australia) Pty Ltd		Australia	100	100
Laser Dynamics Australia Pty Ltd	(a)	Australia	100	100
Lysaght Building Solutions Pty Ltd	(a)	Australia	100	100
Lysaght Design and Construction Pty Ltd	(a)	Australia	100	100
Metalcorp Manufacturing Pty Ltd	(a)	Australia	100	100
Metalcorp Steel Pty Ltd	(a)	Australia	100	100
New Zealand Steel (Aust) Pty Ltd	(a)	Australia	100	100
BlueScope Water Australia Pty Ltd	(a) (e)	Australia	100	100
Smorgon Steel Distribution Superannuation Fund Pty Ltd	(h)	Australia	100	100
The Roofing Centre (Tasmania) Pty Ltd	(a)	Australia	100	100
Butler do Brasil Limitada	(h)	Brazil	100	100
BlueScope Lysaght (Brunei) Sdn Bhd		Brunei	60	60
BlueScope Lysaght (Guangzhou) Ltd	(h)	China	100	100
BlueScope Buildings (Guangzhou) Ltd		China	100	100
BlueScope Lysaght (Shanghai) Ltd		China	100	100
BlueScope Steel (Shanghai) Co Ltd		China	100	100
BlueScope Steel International Trading (Shanghai) Co Ltd	(i)	China	-	100
BlueScope Steel Investment Management (Shanghai) Co Ltd		China	100	100
BlueScope Lysaght (Langfang) Ltd		China	100	100
BlueScope Lysaght (Chengdu) Ltd		China	100	100
BlueScope Steel (Suzhou) Ltd		China	100	100
BlueScope Building Systems (Xi'an) Co Ltd	(g)	China	100	-
BlueScope Building Engineering and Design (Xi'an) Co.Ltd	(g)	China	100	-
Butler (Shanghai) Inc		China	100	100
Butler (Tianjin) Inc		China	100	100
Shanghai BlueScope Butler Construction Engineering Co. Ltd		China	100	100
BlueScope Lysaght Fiji Ltd		Fiji	64	64
BlueScope Steel North Asia Ltd		Hong Kong	100	100
BlueScope Steel India (Private) Ltd		India	100	100
PT BlueScope Steel Indonesia		Indonesia	100	100
PT BlueScope Lysaght Indonesia		Indonesia	100	100
PT BRC Lysaght Distribution		Indonesia	80	80
BlueScope Steel Transport (Malaysia) Sdn Bhd		Malaysia	100	100
BlueScope Engineering Systems Sdn Bhd	(e)	Malaysia	100	100
BlueScope Steel (Malaysia) Sdn Bhd		Malaysia	60	60
BlueScope Lysaght (Malaysia) Sdn Bhd		Malaysia	60	60
BlueScope Lysaght (Sabah) Sdn Bhd	(b)	Malaysia	49	49
BlueScope Steel Asia Sdn Bhd		Malaysia	100	100
Global BMC (Mauritius) Holdings Ltd		Mauritius	100	100

43 Subsidiaries (continued)

Name of entity	Note	Country of incorporation	Equity holding 2012	Equity holding 2011
Butler Manufacturas S de R.L. de C.V.		Mexico	100	100
Butler de Mexico S. de R.L. de C.V.		Mexico	100	100
BlueScope Acier Nouvelle Calédonie SA	(c)	New Caledonia	65	65
BlueScope Steel Finance NZ Ltd		New Zealand	100	100
Tasman Steel Holdings Ltd		New Zealand	100	100
New Zealand Steel Holdings Ltd		New Zealand	100	100
New Zealand Steel Ltd		New Zealand	100	100
Glenbrook Representatives Ltd		New Zealand	100	100
New Zealand Steel Development Ltd		New Zealand	100	100
Toward Industries Ltd		New Zealand	100	100
Steltech Structural Ltd		New Zealand	100	100
BlueScope Steel Trading NZ Ltd		New Zealand	100	100
New Zealand Steel Mining Ltd		New Zealand	100	100
Waikato North Head Mining Limited		New Zealand	100	100
BlueScope Steel International Holdings SA		Panama	100	100
BlueScope Steel Philippines Inc		Philippines	100	100
BlueScope Lysaght (Singapore) Pte Ltd		Singapore	100	100
BlueScope Steel Asia Pte Ltd		Singapore	100	100
Steelcap Insurance Pte Ltd		Singapore	100	100
BlueScope Steel Southern Africa (Pty) Ltd		South Africa	100	100
BlueScope Lysaght Taiwan Ltd		Taiwan	80	80
BlueScope Steel (Thailand) Ltd		Thailand	75	75
Steel Holdings Co Ltd		Thailand	100	100
BlueScope Lysaght (Thailand) Ltd		Thailand	75	75
BlueScope Steel International Ltd		UK	100	100
ASC Profiles Inc		USA	100	100
BlueScope Water Solutions Inc	(e)	USA	100	100
BlueScope Steel Finance (USA) LLC		USA	100	100
BlueScope Steel Holdings (USA) Partnership		USA	100	100
BlueScope Steel North America Corporation		USA	100	100
BlueScope Steel Technology Inc		USA	100	100
BlueScope Steel Americas LLC		USA	100	100
BlueScope Steel Investments Inc		USA	100	100
VSMA Inc		USA	100	100
BIEC International Inc		USA	100	100
BMC Real Estate Inc		USA	100	100
Butler Holdings Inc		USA	100	100
BlueScope Construction Inc		USA	100	100
Metl-Span LLC	(f)	USA	100	100
Butler Pacific Inc		USA	100	100
Steelscape Inc		USA	100	100
Steelscape Washington LLC		USA	100	100
BlueScope Buildings North America Inc		USA	100	100
BlueScope Lysaght (Vanuatu) Ltd	(c) (d)	Vanuatu	39	39
BlueScope Buildings (Vietnam) Ltd		Vietnam	100	100
BlueScope Steel Vietnam Ltd		Vietnam	100	100

43 Subsidiaries (continued)

All subsidiaries incorporated in Australia are members of the BlueScope Steel Ltd tax consolidated group. Refer to note 1(i).

- (a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. For further information refer to note 44.
- (b) The Group holds an ownership interest of 49% in BlueScope Steel Lysaght (Sabah) Sdn Bhd, which is classified as a controlled entity pursuant to AASB 127 Consolidated and Separate Financial Statements because the BlueScope Steel Group can exercise voting control.
- (c) These controlled entities are audited by firms other than Ernst & Young and affiliates.
- (d) The Group's ownership of the ordinary share capital in this entity represents a beneficial interest of 39% represented by its 65% ownership in BlueScope Acier Nouvelle Caledonie SA, which in turn has 60% ownership of the entity.
- (e) The following entities changed their name during the year:

New Name	Old Name
BlueScope Solutions Holdings Pty Ltd	BlueScope Water Pty Ltd
BlueScope Construction Ltd	Highline Ltd
BlueScope Water Australia Pty Ltd	Pioneer Water Tanks (Australia 94) Pty Ltd
BlueScope Engineering Systems Sdn Bhd	BlueScope Steel Logistics (Malaysia) Sdn Bhd
BlueScope Water Solutions Inc	B H Tank Works Inc.

- (f) Entity sold on 22 June 2012 to NCI Group Inc.
- (g) New entities established during the year.
- (h) These entities are in the process of being liquidated and deregistered.
- (i) Entity liquidated and deregistered during the period.

44 Deed of cross - guarantee

BlueScope Steel Limited and certain Australian wholly owned subsidiaries are parties to a deed of cross guarantee under which each company guarantees the debts of the others. The companies in the deed are as follows:

BlueScope Steel Limited
New Zealand Steel (Aust) Pty Ltd
Lysaght Building Solutions Pty Ltd
BlueScope Steel Logistics Co Pty Ltd
The Roofing Centre (Tasmania) Pty Ltd
Glenbrook Holdings Pty Ltd
Lysaght Design and Construction Pty Ltd
Amari Wolff Steel Pty Ltd
BlueScope Building Solutions Pty Ltd
BlueScope Distribution Pty Ltd
Metalcorp Steel Pty Ltd
Metalcorp Manufacturing Pty Ltd
BlueScope Construction Ltd (former name Highline Ltd)
BlueScope Solutions Holdings Pty Ltd (former name BlueScope Water Pty Ltd)
BlueScope Water Australia (former name Pioneer Water Tanks (Australia 94) Pty Ltd)
Laser Dynamics Australia Pty Ltd

By entering into the deed, with the exception of Glenbrook Holdings Pty Ltd, the wholly owned subsidiaries have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. Glenbrook Holdings Pty Ltd continues to form part of the deed of cross-guarantee and closed group, however is denied Class Order 98/1418 relief due to direct ownership being held from outside of the closed group.

44 Deed of cross - guarantee (continued)

(a) Consolidated income statement and a summary of movements in consolidated retained profits

The above companies represent a 'closed group' for the purposes of the Class Order, and as there are no other parties to the deed of cross-guarantee that are controlled by BlueScope Steel Limited, they also represent the 'extended closed group'.

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2012 of the closed group.

	2012 \$M	2011 \$M
Statement of comprehensive income		
Revenue	4,420.6	4,227.8
Other income	25.3	-
Changes in inventories of finished goods and work in progress	(164.2)	59.9
Raw materials and consumables used	(2,248.7)	(2,686.6)
Employee benefits expense	(523.8)	(569.3)
Depreciation and amortisation expense	(81.7)	(88.3)
Impairment of non-current assets	(221.9)	(591.0)
Freight on external despatches	(215.0)	(249.1)
External services	(278.8)	(301.8)
Finance costs	(167.0)	(189.1)
Other expenses	(152.1)	(61.6)
Share of net profits of associate	0.1	-
Profit (loss) before income tax	392.8	(449.1)
Income tax (expense) benefit	(490.9)	69.6
Net profit (loss) for the period	(98.1)	(379.5)
Other comprehensive income		
Actuarial gain (loss) on defined benefit superannuation plans	(50.8)	(0.4)
Income tax on items of other comprehensive income	-	0.1
Other comprehensive income for the year, net of tax	(50.8)	(0.3)
Total comprehensive income for the period	(148.9)	(379.8)
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	(337.4)	170.4
Net profit (loss) for the year	(98.1)	(379.5)
Dividends provided for or paid	(886.2)	(128.0)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	(50.8)	(0.4)
Deferred tax on items taken directly to or transferred from equity	-	0.1
Retained profits at the end of the financial year	(1,372.5)	(337.4)

44 Deed of cross - guarantee (continued)

(b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2012 of the closed group.

	2012 \$M	2011 \$M
Current assets		
Cash and cash equivalents	28.6	0.5
Trade and other receivables	3,541.4	3,342.8
Inventories	444.1	636.9
Other	10.1	5.7
Total current assets	<u>4,024.2</u>	<u>3,985.9</u>
Non-current assets		
Inventories	17.2	26.7
Other financial assets	1,686.0	1,679.0
Property, plant and equipment	679.8	782.7
Deferred tax assets	84.6	380.4
Tax receivable	18.3	-
Intangible assets	113.6	280.8
Total non-current assets	<u>2,599.5</u>	<u>3,149.6</u>
Total assets	<u>6,623.7</u>	<u>7,135.5</u>
Current liabilities		
Payables	860.6	903.0
Borrowings	2,093.1	2,192.9
Tax liabilities	18.3	-
Provisions	173.6	163.2
Deferred income	6.4	10.3
Total current liabilities	<u>3,152.0</u>	<u>3,269.4</u>
Non-current liabilities		
Borrowings	20.4	21.0
Provisions	73.1	63.2
Retirement benefit obligations	67.1	18.4
Deferred income	4.0	4.3
Total non-current liabilities	<u>164.6</u>	<u>106.9</u>
Total liabilities	<u>3,316.6</u>	<u>3,376.3</u>
Net assets	<u>3,307.1</u>	<u>3,759.2</u>
Equity		
Contributed equity	4,650.1	4,073.8
Reserves	29.5	22.8
Retained profits	(1,372.5)	(337.4)
Total equity	<u>3,307.1</u>	<u>3,759.2</u>

45 Investments in associates

Name of company

	Ownership interest	
	2012	2011
	%	%
Saudi Steel Building Manufacturing Company	30	30
Saudi Building Systems Ltd	30	30
BlueScope Lysaght (Sarawak) Sdn Bhd	49	49
SteelServ Limited	50	50
McDonald's Lime Ltd	28	28
BlueScope Bartlett Liners Pty Ltd	50	50
Beacon Pathway Ltd	20	20

(a) Movements in carrying amounts

	Consolidated	
	2012	2011
	\$M	\$M
Carrying amount at the beginning of the financial year	13.9	15.0
Share of profits after income tax	3.9	3.3
Dividends received/receivable	(4.9)	(3.3)
Currency fluctuation	0.3	(1.2)
Reserve movements	(0.1)	0.1
Carrying amount at the end of the financial year	13.1	13.9

(b) Contingent liabilities relating to associates

There were no contingent liabilities relating to investments in associates.

46 Interests in joint ventures

(a) Joint venture partnership

The Group has a 50% interest in North Star BlueScope Steel LLC, a USA resident, the principal activity of which is to manufacture hot rolled steel products. The Group also has a 50% interest in Tata BlueScope Steel Ltd, an Indian resident, the principal activity of which is to manufacture steel products and pre-engineered steel building systems. The joint venture is also constructing a metal coating and painting facility.

The interest in North Star BlueScope Steel and Tata BlueScope Steel is accounted for in the consolidated financial statements using the equity method of accounting (refer to note 19). Information relating to the joint venture partnerships is set out below.

	North Star BlueScope Steel		Tata BlueScope Steel		Consolidated	
	2012 \$M	2011 \$M	2012 \$M	2011 \$M	2012 \$M	2011 \$M
Share of partnership's assets and liabilities						
Current assets						
Cash and cash equivalents	6.2	13.5	5.6	1.9	11.8	15.4
Receivables	59.6	65.1	19.7	24.9	79.3	90.0
Inventories	42.3	41.0	20.9	14.2	63.2	55.2
Other	0.5	0.5	-	-	0.5	0.5
Non-current assets						
Property, plant and equipment	59.7	64.3	105.3	115.7	165.0	180.0
Intangible assets	-	-	0.1	0.2	0.1	0.2
Other	0.1	0.1	-	-	0.1	0.1
Total assets	168.4	184.5	151.6	156.9	320.0	341.4
Current liabilities						
Payables	43.0	48.5	31.3	32.8	74.3	81.3
Borrowings	-	-	87.6	75.3	87.6	75.3
Provisions	12.8	12.7	1.3	1.8	14.1	14.5
Non-current liabilities						
Payables	0.1	0.1	-	-	0.1	0.1
Borrowings	39.9	42.1	-	-	39.9	42.1
Total liabilities	95.8	103.4	120.2	109.9	216.0	213.3
Net assets	72.6	81.1	31.4	47.0	104.0	128.1
Share of partnership's revenue, expenses and results						
Revenues	683.2	697.0	81.5	67.3	764.7	764.3
Expenses	619.3	622.6	96.1	71.5	715.4	694.1
Profit (loss) before income tax	63.9	74.4	(14.6)	(4.2)	49.3	70.2
Income tax (expense) benefit	-	-	-	(0.2)	-	(0.2)
Profit (loss) after income tax	63.9	74.4	(14.6)	(4.4)	49.3	70.0
Share of partnership's capital commitments	4.3	0.9	10.3	12.3	14.6	13.2

(b) Contingent liabilities relating to joint ventures

There were no contingent liabilities relating to investments in joint ventures.

46 Interests in joint ventures (continued)

(c) Secured liabilities and assets pledged as security

The Tata BlueScope Steel borrowings are secured against property, plant and equipment.

(d) Impairment losses

Impairment losses of \$1.4M (2011: \$1.7M) were recognised in relation to the Group's investment in Castrip LLC (refer to note 8). The Group's 47.5% interest in Castrip resides within the Hot Rolled Products North America segment and has a carrying value of \$Nil (2011: \$Nil).

47 Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated 2012 \$M	2011 \$M
Loss for the year	(1,027.9)	(1,040.4)
Depreciation and amortisation	330.8	355.6
Impairment on non-current assets	319.9	993.7
Reversal of impairment	-	(68.8)
Exchange reserve transferred to P&L	0.5	-
Non-cash employee benefits expense - share-based payments	7.0	6.6
Net (gain) loss on sale of subsidiaries	(29.4)	-
Net (gain) loss on sale of non-current assets	(0.3)	1.1
Share of (profits) losses of associates and joint venture partnership	(53.2)	(73.3)
Associate and joint venture partnership dividends received	83.4	135.2
Change in operating assets and liabilities:		
Decrease (increase) in trade debtors	55.9	77.8
Decrease (increase) in other debtors	20.4	(11.3)
Decrease (increase) in other operating assets	18.9	(18.8)
Decrease (increase) in inventories	634.9	(306.6)
Increase (decrease) in trade creditors	(97.1)	114.2
Increase (decrease) in other creditors	(3.8)	(7.5)
Increase (decrease) in borrowing costs payable	4.8	(9.4)
Increase (decrease) in income taxes payable	28.9	12.7
Increase (decrease) in deferred tax balances	(19.7)	(126.5)
Increase (decrease) in other provisions and liabilities	5.5	(25.0)
Other variations	(12.1)	19.0
Net cash inflow (outflow) from operating activities	<u>267.4</u>	<u>28.3</u>

48 Non-cash investing and financing activities

	Consolidated	
	2012	2011
	\$M	\$M
Acquisition of plant and equipment by means of finance leases (i)	34.8	56.0
Dividend Reinvestment Plan (ii)	-	41.3
	<u>34.8</u>	<u>97.3</u>

- (i) New Zealand entered into a finance lease agreement of USD 34.2M for the use of equipment associated with the transport of iron sands.
- (ii) There were no dividends paid in the current period. In the comparative period, the Company had a formal Dividend Reinvestment Plan (DRP) in relation to the June 2010 final dividend, enabling participating shareholders to receive dividends as ordinary BlueScope Steel Limited shares instead of cash. A total of 18,839,253 shares were issued under the DRP connected to the June 2010 final dividend. There was no DRP attached to the December 2010 interim dividend. Refer to note 35(b) for a reconciliation of movements in ordinary share capital.
- (iii) Details of share-based payments are shown in note 50.

49 Earnings per share

(a) Basic earnings (loss) per share

	Consolidated	
	2012	2011
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	(39.0)	(48.8)
From discontinued operations	(0.1)	0.2
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	<u>(39.1)</u>	<u>(48.6)</u>

(b) Diluted earnings per share

	Consolidated	
	2012	2011
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	(39.0)	(48.8)
From discontinued operations	(0.1)	0.2
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	<u>(39.1)</u>	<u>(48.6)</u>

(c) Reconciliation of earnings used in calculating earnings (loss) per share

	Consolidated	
	2012	2011
	\$M	\$M
<i>Basic and diluted earnings per share</i>		
Profit (loss) attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	(1,041.9)	(1,059.9)
From discontinued operation	(1.6)	5.7
	<u>(1,043.5)</u>	<u>(1,054.2)</u>

49 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	Consolidated	
	2012 Number	2011 Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	2,668,690,595	2,171,250,627
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	-	8,294
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	2,668,690,595	2,171,258,921

(e) Earnings per share restated

In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the bonus element of the four-for-five share rights issue undertaken in December 2011. The previously reported June 2011 weighted average number of shares has been adjusted by a factor of 1.1823, being the market price of one ordinary share at the close of the last day at which the shares traded together with the rights \$0.61, divided by the theoretical ex-rights value per share of \$0.52.

(f) Information on the classification of securities

(i) Basic earnings per share

Basic earnings per share is calculated by dividing net profit (loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the period.

(ii) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit (loss) attributable to the ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued upon the conversion of all dilutive potential ordinary shares into ordinary shares.

Share rights granted to eligible senior managers under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are expected to vest based on current TSR (Total Shareholder Return) ranking as per the 30 June 2012 Remuneration Report. Details relating to the share rights are set out in note 50.

There are 61,631,740 share rights relating to the 2007, 2008, 2009, 2010 and 2012 LTIPs that are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2012. These share rights could potentially dilute basic earnings per share in the future.

50 Share-based payments

The Group provides benefits in the form of share-based payment transactions to employees. There are currently three plans in place providing share based payment benefits: (a) The Long Term Incentive Plan, (b) General Employee Share Plans; and (c) Special Share Grants and Rights.

Information relating to these schemes is set out below. Further information is provided in the 30 June 2012 Remuneration Report. Refer to note 1(y)(iv) for the share-based payments accounting policy.

(a) The Long Term Incentive Plan

The Long Term Incentive Plan (LTIP) is a program determined annually by the Board, which awards share rights to eligible senior management of BlueScope Steel. LTIPs are designed to reward senior management for long term value creation, and is part of the Company's overall recognition and retention strategy. The share rights give the right to receive an ordinary share in BlueScope Steel Limited at a later date subject to the satisfaction of certain performance criteria and continued employment with the Group.

The share rights available for exercise are contingent on the Company's Total Shareholder Return (TSR) percentile ranking relative to the TSR of companies in the S&P/ASX 100 index at the reward grant date. Share rights that fail to meet performance vesting conditions will lapse upon the LTIP's expiry date, or sooner upon employee resignation or termination.

Plans have been granted to senior management as outlined below. Further details of each award is provided in the 30 June 2012 Remuneration Report.

Movement of LTIP share and cash rights during the year

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2012								
18 Nov 2006	31 Oct 2011	-	1,180,774	-	-	(1,180,774)	-	-
5 Nov 2007	31 Oct 2012	-	1,186,391	-	-	(342,672)	843,719	-
14 Nov 2007	31 Oct 2012	-	231,053	-	-	-	231,053	-
28 Nov 2008	31 Oct 2013	-	1,938,151	-	-	(424,755)	1,513,396	-
30 Nov 2009	31 Oct 2014	-	7,750,270	-	-	(668,839)	7,081,431	-
30 Nov 2010	31 Oct 2015	-	10,474,550	-	-	(1,418,369)	9,056,181	-
16 Apr 2012	31 Jan 2015	-	-	46,313,440	-	-	46,313,440	-
			22,761,189	46,313,440	-	(4,035,409)	65,039,220	-
2011								
18 Nov 2005	31 Oct 2010	-	25,000	-	(17,000)	(8,000)	-	-
18 Nov 2006	31 Oct 2011	-	1,261,381	-	-	(80,607)	1,180,774	-
5 Nov 2007	31 Oct 2012	-	1,396,004	-	-	(209,613)	1,186,391	-
14 Nov 2007	31 Oct 2012	-	231,053	-	-	-	231,053	-
28 Nov 2008	31 Oct 2013	-	2,025,318	-	-	(87,167)	1,938,151	-
30 Nov 2009	31 Oct 2014	-	8,170,131	-	-	(419,861)	7,750,270	-
30 Nov 2010	31 Oct 2015	-	-	10,702,550	-	(228,000)	10,474,550	-
			13,108,887	10,702,550	(17,000)	(1,033,248)	22,761,189	-

50 Share-based payments (continued)

The average share price during the period for the year ended 30 June 2012 was \$0.53 (30 June 2011 2010: \$2.02).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 2.6 years (30 June 2011: 3.5 years).

The April 2012 LTIP includes 3,122,480 cash rights. The November 2009 LTIP includes 158,000 cash rights, of which 13,000 have been forfeited year to date while the November 2010 LTIP includes 166,000, of which 26,000 have been forfeited year to date. The cash rights have been issued to eligible employees in Asia who are entitled to receive cash bonuses three years from grant date, in place of shares. The fair value of the cash rights is calculated as the sum of the market value of shares and dividends that would have otherwise been received.

Fair value of share rights granted

The assessed fair value at grant date of share rights granted during the year ended 30 June 2012 is detailed below. The fair value at grant date is independently determined for each award using Black Scholes option pricing model that includes a Monte Carlo simulation analysis. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share rights granted during the years ended 30 June 2012 and 30 June 2011 included:

Plan Details	April 2012	Nov 2010
Exercise price (\$)	Nil	Nil
Grant date	16 April 2012	30 November 2010
Latest expiry date	31 January 2015	31 October 2015
Share rights granted	43,190,960	10,536,550
Cash rights granted	3,122,480	166,000
Fair value estimate at grant date	0.21	1.20
Vesting conditions (i)	TSR ranking	TSR ranking

Fair value inputs

	Minimum vesting period	Minimum vesting period
Expected life of share rights (yrs)		
Expected dividend yield (%)	3.00	5.00
Expected risk-free interest rate (%)	3.25	5.19
Expected share price volatility (%)	45.00	35.00
Grant date share price (\$)	0.40	1.93

(i) The number of rights that vest under each plan are contingent on BlueScope Steel's TSR percentile ranking. The TSR ranking requirements differ for each plan. For further details of vesting conditions refer to the 30 June 2012 Remuneration Report.

The expected price volatility reflects the assumption that the historical volatility is indicative of future trends, which may not necessarily be the actual outcome.

There have been no significant modifications to any LTIP arrangement since grant date.

(b) General Employee Share Plans

General Employee Share Plans (GESPs) are share award plans which, at the determination of the Board, issue eligible employees with a grant of ordinary BlueScope Steel shares (or a cash equivalent in countries where the issue of shares is not practicable).

The objective of GESPs is to recognise and reward employees for their contribution to BlueScope Steel's financial results and workplace safety performance and provide them with the opportunity to benefit from dividends paid on the shares and growth in the market value of shares. Employees may elect not to participate in the plan.

50 Share-based payments (continued)

The allocation of GESPs is considered on a year by year basis. At 30 June 2012 the following share plan was outstanding:

(i) *April 2012 General Employee Share Plan (GESP)*

Under the April GESP 2012 an immediate grant of 1,000 BlueScope Steel shares, at no cost to the employee, were made to 10,010 employees. These shares were purchased on market equivalent price, at a total cost of \$4.1M (average \$0.41 per share). In those countries where it is either not possible or practical to grant shares, 3,170 employees will receive a future cash payment approximately equivalent to the value of 1,000 BlueScope Steel shares (\$0.9M). The Company also offered a total of 2,280,000 (\$1.6M) deferred GESP shares to New Zealand, Malaysia and Thailand employees, to be issued in three years from the date of grant and subject to forfeiture.

The form of GESPs depends on local regulations and tax laws. Due to this, GESPs comprise of three components as follows:

Regular share grants

The majority of the Group's eligible employees, including those in Australia are offered shares with a restriction on trading of three years or as elected by the employee, dependent on the tax deferral period. Once the shares are granted, employees can fully participate in all dividends paid. Fair value is measured as grant date for shares issued. For regular share grants to overseas employees, it is a condition that shares are forfeited and sold on market if employees leave before the expiration of the three-year restriction period.

Cash plan

Eligible employees in certain Asian and Pacific regions are entitled to receive cash bonuses three years from grant date, in place of shares, the fair value of which is calculated as the sum of the market value of shares and dividends that would have otherwise been received

Deferred share grants

In some Asian countries shares vest three years from the grant date and cash rewards are received for dividends forgone during this period. Fair value is calculated as the market value of shares to be received as at grant date in addition to the dividends forgone during the three-year vesting period.

Shares issued under GESPs rank equally with other fully paid ordinary shares on issue (refer to note 35 for number of shares issued and fair value of at grant date).

(c) Other share grants and rights

On 27 February 2009, 25,000 BlueScope Steel Limited shares were granted to Mr Keith Mitchelhill upon his appointment to the Executive Leadership Team and Chief Executive Australia Distribution & Solutions. Share grants awarded vested in February 2012, entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue.

On 10 March 2009, 20,000 BlueScope Steel Limited shares were granted to Mr Sanjay Dayal upon his appointment to the Executive Leadership Team and Chief Executive Asia. Share grants awarded vested in January 2012.

On 6 August 2007, 50,000 BlueScope Steel Limited shares were granted to Mr Paul O'Malley upon his appointment as an Executive Director. Share grants have been split between three tranches, each with specific vesting conditions requiring the fulfilment of an underlying service period. The service periods range from August 2010 to August 2012. Share granted are entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue.

During the year ended 30 June 2011 the Board approved an award of shares, share rights and cash rights in a share-based retention plan. Invitations to participate in this plan were determined on the basis of rewarding, recognising and retaining key individuals, whose contributions are crucial to delivery of BlueScope Steel's strategy for the next three years including restructuring the Australian business, changes to operating assets to drive improved earnings associated with a significant reduction in steel production, improving the performance of the North American business and expanding the Asian businesses. A total of 6,935,600 shares was issued to both ELT and non-ELT members on 14 September 2011, in addition to 858,000 share rights and 403,500 cash rights granted in March 2011.

50 Share-based payments (continued)

Shares awarded under the retention plan are subject to the following conditions:

- Shares awarded will be forfeited in the event of cessation of employment for any reason in the restricted period other than where employment ceases due to death or disability;
- Shares cannot be sold, mortgaged, transferred, or otherwise encumbered at any time in the restriction period; and
- The restriction period generally applies for a period of three years. In the event of a change in control during this time the shares will vest.

(d) The Employee Share Purchase Plan

The Employee Share Purchase Plan (ESPP) provides facilities for Australian employees to purchase shares at market prices through salary sacrifice of STI bonus payments. The Company has had an ESPP in place since 2003. Under the plan, shares can be provided on a tax deferred basis and therefore sale or transfer is restricted. Shares provided under the plan are entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue (refer to note 35(c)). No employee benefit expense is recognised in respect of the ESPP other than the administrative costs of the plan, which are met by the Company.

(e) Expense arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	Consolidated	
	2012	2011
	\$'000	\$'000
Employee share rights expense	7.0	6.6
Employee share awards expense	0.1	0.1
Total expense arising from share-based payments	7.1	6.7

The carrying amount of the liability relating to share-based payment plans at 30 June 2012 is \$0.3M (30 June 2011: \$0.2M). This liability represents the deferred cash amounts payable under LTIPs and GESPs.

51 Parent entity financial information

(a) Summary financial information

The financial statements for the parent entity, BlueScope Steel Ltd, show the following aggregate amounts:

Statement of financial position

	2012 \$M	2011 \$M
Current assets		
Cash and cash equivalents	0.7	0.3
Trade and other receivables	3,108.9	3,029.7
Inventories	254.8	439.2
Other	8.8	4.0
Total current assets	<u>3,373.2</u>	<u>3,473.2</u>
Non-current assets		
Inventories	17.2	26.7
Other financial assets	1,671.0	1,851.6
Deferred tax assets	84.6	380.1
Tax receivable	18.3	-
Property, plant and equipment	615.8	707.7
Intangible assets	42.1	29.2
Total non-current assets	<u>2,449.0</u>	<u>2,995.3</u>
Total assets	<u>5,822.2</u>	<u>6,468.5</u>
Current liabilities		
Payables	433.8	489.7
Borrowings	1,849.8	2,098.3
Tax Liabilities	18.3	-
Provisions	128.1	133.6
Deferred income	1.4	4.4
Total current liabilities	<u>2,431.4</u>	<u>2,726.0</u>
Non-current liabilities		
Borrowings	12.4	12.6
Provisions	57.4	56.0
Retirement benefit obligations	66.7	18.2
Other	4.0	4.3
Total non-current liabilities	<u>140.5</u>	<u>91.1</u>
Total liabilities	<u>2,571.9</u>	<u>2,817.1</u>
Net assets	<u>3,250.3</u>	<u>3,651.4</u>
Equity		
Contributed equity	4,650.1	4,073.8
Reserves	29.5	22.7
Retained profits	<u>(1,429.3)</u>	<u>(445.1)</u>
Total equity	<u>3,250.3</u>	<u>3,651.4</u>

51 Parent entity financial information (continued)

Statement of comprehensive income

	2012 \$M	2011 \$M
Revenue	2,468.4	3,183.0
Other income	25.4	-
Changes in inventories of finished goods and work in progress	(156.0)	81.3
Raw materials and consumables used	(1,436.8)	(1,909.9)
Employee benefits expense	(393.3)	(425.7)
Depreciation and amortisation expense	(66.4)	(71.6)
Impairment of non-current assets	(230.6)	(561.4)
Freight on external despatches	(190.2)	(226.2)
External services	(207.5)	(232.3)
Restructuring costs	(82.9)	-
Finance costs	(151.0)	(181.4)
Other expenses	(10.1)	(37.8)
Profit (loss) before income tax	(431.0)	(382.0)
Income tax (expense) benefit	(502.7)	46.7
Net profit (loss) for the period	(933.7)	(335.3)
Other comprehensive income		
Actuarial gain (loss) on defined benefit superannuation plans	(50.5)	(0.4)
Income tax on items of other comprehensive income	-	0.1
Other comprehensive income for the year, net of tax	(50.5)	(0.3)
Total comprehensive income for the year	(984.2)	(335.6)
Summary of movements in retained profits		
Retained earnings at the beginning of the financial year	(445.1)	18.5
Net profit (loss) for the year	(933.7)	(335.3)
Dividends paid	-	(128.0)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	(50.5)	(0.4)
Deferred tax	-	0.1
Retained profits at the end of the financial year	(1,429.3)	(445.1)

(b) Guarantees entered into by the parent entity

In Australia, the parent entity has given \$139.6M (2011: \$140.3M) in guarantees to various state workers compensation authorities as a prerequisite for self insurance and has entered into a deed of cross-guarantee with certain Australian wholly-owned subsidiaries (note 44). Additionally, the parent entity has provided financial guarantees in respect to subsidiaries amounting to:

	Parent entity 2012 \$M	2011 \$M
Bank overdrafts and loans of subsidiaries (unsecured)	1,355.0	2,663.5
Other loans (unsecured)	218.9	584.5
Trade finance facilities	259.1	234.3
	1,833.0	3,482.3

(c) Capital commitments

As at 30 June 2012, the parent entity had capital commitments of \$11.7M (June 2011: \$8.7M). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

51 Parent entity financial information (continued)

(d) Tax consolidation legislation

BlueScope Steel Limited and its wholly owned Australian controlled entities have entered into a tax sharing and funding agreement in relation to their participation in the tax consolidation regime. Under the terms of this agreement, the wholly owned entities reimburse BlueScope Steel Limited for any current tax payable assumed and are compensated by BlueScope Steel for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to BlueScope Steel Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from BlueScope Steel Limited, which is issued as soon as practicable after the end of each financial year. BlueScope Steel Limited may require payment of interim funding amounts to assist with its obligations to pay tax instalments.

The tax sharing agreement limits the joint and several liability of the wholly owned entities in the case of a default by BlueScope Steel Limited. At balance date, the possibility of default is considered remote.

The accounting policy in relation to tax consolidation is set out in note 1(c)(ii).

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. Intercompany receivables of \$1.9M (2011: \$30.3M) and intercompany payables of \$210.4M (2011: \$190.1M) of BlueScope Steel Limited have been recognised as a tax consolidated adjustment.

52 Events occurring after balance date

(i) New segments

BlueScope Steel Limited has announced a reorganisation to establish two businesses to focus on growth in the global pre-engineered building market and building products market to take effect on 1 July 2012. As a result of these changes, on 26 July 2012, the Company announced changes to its external reporting segments.

- BlueScope Global Building Solutions comprises the Company's North American pre-engineered buildings (PEB) businesses, the entire China business and all PEB businesses in ASEAN.
- BlueScope Building Products comprises the Company's metal coating, painting and roll-forming businesses in ASEAN and North America.

Mr Bob Moore, BlueScope's President, China and a member of the Executive Leadership Team (ELT), will become Chief Executive Global Building Solutions leading more than 5,000 employees across 21 manufacturing plants in eight countries. Mr Sanjay Dayal, Chief Executive BlueScope Asia and a member of the ELT will take on a new role as Chief Executive Building Products with additional responsibility for the North American Steelscape and ASC Profiles businesses, leading 3,300 employees at 29 manufacturing plants in seven countries.

These reporting segment changes will be applied in respect of the half-year ending 31 December 2012 and thereafter.

(ii) BlueScope Steel and Nippon Steel Joint Venture

As announced to the market on 13 August 2012, BlueScope and Nippon Steel Corporation (NSC) have agreed to form a new joint venture encompassing BlueScope's ASEAN and North American building products businesses.

The new 50:50 joint venture, called NS BlueScope Coated Products, provides a strong platform to capture expected growth in the \$40 billion per annum building and construction sector in ASEAN and North America. The JV will facilitate entry into new markets not currently accessible to BlueScope. For example, the JV will supply whitegoods manufacturers offering products to Asia's fast growing middle class. The JV will also speed up entry into emerging markets in the ASEAN region.

NSC's investment recognises an agreed enterprise valuation for the JV of US\$1.36 billion. BlueScope will receive approximately US\$540 million in net proceeds through NSC's 50% acquisition of BlueScope's interest in the businesses after allowing for taxes, minority interests and transaction costs. BlueScope will continue to control and consolidate the business for financial reporting purposes. The cash consideration received from NSC will be recognised within equity, therefore no gain or loss on this transaction will be recorded in the income statement.

52 Events occurring after balance date (continued)

The joint venture will comprise BlueScope's current building products businesses in ASEAN (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles). The footprint of this business also covers Myanmar, Cambodia, Laos and the Philippines.

NSC and BlueScope will each hold 50 per cent of a new joint venture company, headquartered in Singapore. BlueScope will appoint the Chief Executive of NS BlueScope Coated Products. NSC will appoint the Chairman and a number of key executives to assist with business development and the introduction of new technology and products. The transaction is expected to complete in the March 2013 quarter, once regulatory approvals have been obtained.

The JV does not include BlueScope's building products businesses in Australia, China and India, or its Global Building Solutions business that operates across the world (including in ASEAN countries).

(iii) US private placement repurchase

On 7 August 2012, the Company repurchased a further US\$88.2M of its US Private Placement Notes (subsequent to the repurchase of US\$305.4M in May 2012) at par, plus accrued interest. The repurchase has been funded in US dollars using existing undrawn lines under the Company's syndicated bank facility. No early redemption or make-whole costs were incurred by BlueScope in effecting the repurchase, and based on the Company's drawn debt balance at 30 June 2012, the US\$88.2M repurchase is expected to realise a pro-forma reduction in the Company's annual interest expense of approximately A\$6M per annum.

(iv) Changes to Malaysia minority interests

On 16 August 2012, the Company acquired the 40% interest of Bluescope Steel Malaysia that it did not own.

Directors' declaration

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 99 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and
- (c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 44 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross-guarantee described in note 44.
- (d) The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Directors.



G J Kraehe, AO
Chairman



P F O'Malley
Managing Director & CEO

Melbourne
20 August 2012

Independent auditor's report to the members of BlueScope Steel Limited

Report on the financial report

We have audited the accompanying financial report of BlueScope Steel Limited, which comprises the consolidated statement of financial position as at 30 June 2012, 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 1(a), 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 directors' report.

Opinion

In our opinion:

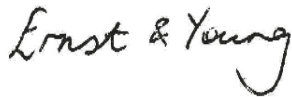
- a. the financial report of BlueScope Steel Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2012. 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 BlueScope Steel Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in black ink that reads 'Rodney Piltz'.

Rodney Piltz
Partner
Melbourne
20 August 2012



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