BHP Steel Limited
ABN 16 000 011 058

Financial report - 30 June 2003

Contents

Originally issued by BHP Steel. On 17 November 2003 BHP Steel became BlueScope Steel Limited.

Explanatory Statement to the Financial Report

BHP Steel Limited legally separated from the BHP Billiton Group on 22 July 2002, having listed on the Australian Stock Exchange on 15 July 2002. For accounting purposes the effective separation date was 1 July 2002, and therefore the financial results for the twelve month period to 30 June 2003 in this financial report reflects a complete twelve months results. However, certain cash flows associated with the separation were not complete until after 30 June 2002 and therefore cash flows from investing and financing activities are not reflective of the underlying BHP Steel Group which separated from the BHP Billiton Group. Where necessary these transactions have been highlighted in this report.

The comparative information presented in the following Financial Report has been prepared for the consolidated BHP Steel Group as it existed on 30 June 2002 in accordance with the Corporations Act 2001. It is not reflective of the BHP Steel Group which separated from the BHP Billiton Group. At 30 June 2002, and for periods during the June 2002 financial year, certain significant operating assets were owned by other entities within the BHP Billiton Group. These included the Port Kembla Steelworks, North Star BHP Steel joint venture, New Zealand Steel, Packaging Products, and certain Asian coating operations. The comparative Financial Report presented reflects the majority of the Australian and Asian Coating operations.

BHP Steel Limited
Statements of financial performance
For the year ended 30 June 2003

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Parent entity 2003 $m	Parent entity 2002 $m
Revenue from ordinary activities	3	**5,302.1**	2,488.7	**2,402.9**	2,025.0
Changes in inventories of finished goods and work in progress		**36.1**	(7.0)	**44.7**	(1.4)
Raw materials and consumables used		**(2,029.3)**	(1,519.2)	**(1,441.5)**	(1,238.2)
Employee benefits expense		**(1,031.9)**	(373.5)	**(414.8)**	(342.1)
Depreciation and amortisation expenses	4	**(270.1)**	(77.2)	**(61.5)**	(58.3)
Diminution in value of non-current assets		**(12.6)**	(0.4)	**(6.7)**	-
External services		**(734.7)**	(110.5)	**(95.5)**	(103.0)
Freight on external despatches		**(410.0)**	(188.8)	**(172.5)**	(168.8)
Carrying amount of non-current assets sold		**(4.5)**	(2.2)	**(2.0)**	(0.1)
Other expenses from ordinary activities		**(298.7)**	(181.1)	**(121.9)**	(101.3)
Borrowing costs expense	4	**(22.0)**	(46.1)	-	(40.2)
Shares of net profits of associates and joint venture partnership accounted for using the equity method		**69.2**	-	-	-
Profit/(loss) from ordinary activities before income tax expense	4	**593.6**	(17.3)	**131.2**	(28.4)
Income tax credit/(expense)	5	**(120.9)**	21.1	**(33.9)**	11.6
Profit/(loss) from ordinary activities after income tax expense		**472.7**	3.8	**97.3**	(16.8)
Net profit/(loss) attributable to outside equity interest		**(21.0)**	(14.1)	-	-
Net profit/(loss) attributable to members of BHP Steel Limited	28(b)	**451.7**	(10.3)	**97.3**	(16.8)
Decrease in retained profits on adoption of revised accounting standard: AASB 1028 "Employee Benefits"	1(a) 28(b)	**(2.8)**	-	**(1.1)**	-
Net increase (decrease) in foreign currency translation reserve	28(a)	**(77.9)**	(30.4)	-	-
Total revenue, expenses and valuation adjustments attributable to members of BHP Steel Limited recognised directly in equity		**(80.7)**	(30.4)	**(1.1)**	-
Total changes in equity other than those resulting from transactions with owners as owners	30	**371.0**	(40.7)	**96.2**	(16.8)
		Cents	Cents		
Basic earnings per share	43	**57.1**	(16.3)		

The above statements of financial performance should be read in conjunction with the accompanying notes.

BHP Steel Limited
Statements of financial position
As at 30 June 2003

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Parent entity 2003 $m	Parent entity 2002 $m
Current assets					
Cash assets	6	**91.0**	98.7	**1.9**	0.1
Receivables	7	**639.6**	2,114.3	**906.0**	2,051.0
Inventories	8	**639.4**	257.8	**233.5**	196.3
Other financial instruments	9	**4.1**	2.2	**-**	-
Other	10	**17.6**	9.4	**3.4**	0.9
Total current assets		**1,391.7**	2,482.4	**1,144.8**	2,248.3
Non-current assets					
Receivables	11	**10.8**	10.8	**18.7**	18.7
Inventories	12	**58.2**	23.4	**22.6**	23.4
Investments accounted for using the equity method	13	**151.6**	146.3	**-**	-
Other financial assets	14	**4.5**	0.2	**1,642.2**	410.1
Property, plant and equipment	15	**3,085.6**	1,065.1	**711.0**	721.3
Deferred tax assets	16	**37.3**	19.2	**-**	-
Intangible assets	17	**4.5**	0.7	**-**	-
Other	18	**8.9**	9.5	**1.1**	2.2
Total non-current assets		**3,361.4**	1,275.2	**2,395.6**	1,175.7
Total assets		**4,753.1**	3,757.6	**3,540.4**	3,424.0
Current liabilities					
Payables	19	**493.0**	351.2	**191.4**	237.8
Interest bearing liabilities	20	**101.5**	2,279.6	**389.0**	2,348.6
Current tax liabilities	21	**108.0**	2.8	**38.7**	-
Provisions	22	**258.7**	100.8	**141.7**	92.6
Other	23	**8.1**	3.9	**-**	-
Total current liabilities		**969.3**	2,738.3	**760.8**	2,679.0
Non-current liabilities					
Interest bearing liabilities	24	**66.4**	94.5	**-**	-
Deferred tax liabilities	25	**395.1**	103.5	**76.9**	92.6
Provisions	26	**231.2**	49.6	**53.9**	46.5
Total non-current liabilities		**692.7**	247.6	**130.8**	139.1
Total liabilities		**1,662.0**	2,985.9	**891.6**	2,818.1
Net assets		**3,091.1**	771.7	**2,648.8**	605.9
Equity					
Parent entity interest					
Contributed equity	27	**2,182.1**	164.0	**2,182.1**	164.0
Reserves	28(a)	**(91.2)**	182.9	**-**	196.0
Retained profits	28(b)	**961.4**	387.7	**466.7**	245.9
Total parent entity interest		**3,052.3**	734.6	**2,648.8**	605.9
Outside equity interest in controlled entities	29	**38.8**	37.1	**-**	-
Total equity	30	**3,091.1**	771.7	**2,648.8**	605.9

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

	Notes	Consolidated 2003 $m	Consolidated 2002 $m	Parent entity 2003 $m	Parent entity 2002 $m
Cash flows from operating activities					
Receipts from customers		**5,443.3**	2,671.8	**2,402.5**	2,186.9
Payments to suppliers and employees		**(4,695.3)**	(2,511.6)	**(2,348.9)**	(2,100.1)
		748.0	160.2	**53.6**	86.8
Dividends received		**1.9**	-	**44.6**	5.1
Interest received		**2.3**	8.3	**29.5**	0.3
Other revenue		**15.0**	25.0	**5.9**	18.9
Borrowing costs		**(26.6)**	(37.1)	-	(40.2)
Income taxes paid		**(29.2)**	(21.6)	**(10.2)**	(13.7)
Net cash inflow (outflow) from operating activities	42	**711.4**	134.8	**123.4**	57.2
Cash flows from investing activities					
Payment for purchase of controlled entities, net of cash acquired*	40	**(716.1)**	(67.0)	**(1,197.2)**	(105.9)
Payments for property, plant and equipment		**(183.3)**	(78.3)	**(54.4)**	(61.6)
Payments for investments		**(26.1)**	(2.0)	**(43.5)**	-
Proceeds from sale of property, plant and equipment		**8.6**	2.3	**6.2**	0.2
Proceeds from sale or redemption of investments		**35.6**	-	**1.9**	-
Net cash inflow (outflow) from investing activities		**(881.3)**	(145.0)	**(1,287.0)**	(167.3)
Cash flows from financing activities					
Proceeds from issues of shares*		**2,045.4**	49.5	**2,045.4**	49.5
Share buyback		**(25.9)**	-	**(25.9)**	-
Proceeds from other borrowings		**1,117.1**	88.3	-	-
Proceeds from demerger borrowings*		**565.0**	-	-	-
Financing of related entities		-	35.5	**(2,601.9)**	59.4
Financing provided by BHP Billiton*		**(1,797.2)**	-	**1,819.2**	-
Repayment of other borrowings		**(1,132.0)**	(127.0)	-	-
Repayment of demerger borrowings		**(525.0)**	-	-	-
Dividends paid	31	**(71.4)**	-	**(71.4)**	-
Dividends paid to outside equity interests in controlled entities		**(5.2)**	(0.8)	-	-
Net cash inflow (outflow) from financing activities		**170.8**	45.5	**1,165.4**	108.9
Net increase (decrease) in cash held		**0.9**	35.3	**1.8**	(1.2)
Cash at the beginning of the financial year		**98.7**	63.0	**0.1**	1.3
Effects of exchange rate changes on cash		**(8.6)**	0.4	-	-
Cash at the end of the financial year	6	**91.0**	98.7	**1.9**	0.1

Financing arrangements 24

* The current year consolidated cash flows from investing and financing activities include cash flows related to the separation of BHP Steel Limited from the BHP Billiton Group, including the acquisition of the BHP Steel (AIS) Pty Ltd on 3 July 2002.

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

Note 1. Summary of significant accounting policies

This general purpose financial report has been prepared in accordance with Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Consensus Views and the Corporations Act 2001.

(a) Basis of accounting

The accounts are prepared in accordance with the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Changes in accounting policies

AASB 1028 "Employee Benefits" (applicable from 1 July 2002)
Under this revised Standard, the liability for wages and salaries, annual leave and other employee entitlements to be settled within the next twelve months are recognised in the financial statements at remuneration rates at which they are expected to be settled, rather than at wage and salary rates current as at reporting date. The adjustments to the consolidated financial report as a result of the change are:

- $4.0 million increase in provision for employee benefits
- $1.2 million increase in deferred taxes
- $2.8 million decrease in opening retained profits.

AASB 1012 "Foreign Currency Translation" (applicable from 1 July 2002)
The impact on the financial statements from this revised standard has been to record a receivable and a payable for $3.2 million in relation to unmatured forward exchange contracts used to hedge future export receipts.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by BHP Steel Limited ('company' or 'parent entity') as at 30 June 2003 and the results of all controlled entities for the year then ended. BHP Steel Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the BHP Steel Group. The effects of all transactions between entities in the consolidated entity are eliminated in full. Outside equity interests in the results and equity of controlled entities are shown separately in the consolidated statement of financial performance and statement of financial position respectively.

Where control of an entity is obtained during a financial year, its results are included in the consolidated statement of financial performance from the date on which control commences. Where control of an entity ceases during a financial year its results are included for that part of the year during which control existed.

Investments in joint ventures are accounted for as set out in note 1(p).

(c) Comparatives

Where applicable, comparatives have been adjusted to disclose them on a comparable basis with current period figures.

(d) Rounding of amounts

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

(e) Income tax

Tax effect accounting procedures are followed whereby the income tax expense in the statements of financial performance is matched with the accounting profit after allowing for permanent differences. The future tax benefit relating to tax losses is not carried forward as an asset unless the benefit is virtually certain of realisation. Income tax on cumulative timing differences is set aside to the deferred income tax or the future income tax benefit accounts at the rates which are expected to apply when those timing differences reverse.

(f) Foreign currencies

The BHP Steel Group is Australian based with significant international operations.

(i) Transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

A monetary item arising under a foreign currency contract outstanding at the reporting date where the exchange rate for the monetary item is fixed in the contract is translated at the exchange rate fixed in the contract.

Except for certain specific hedges, all resulting exchange differences arising on settlement or re-statement are recognised as revenues and expenses for the financial year. Any gains or costs on entering a hedge are deferred and amortised over the life of the contract.

(ii) Specific hedges

Where a purchase or sale is specifically hedged, exchange gains or losses on the hedging transaction arising up to the date of purchase or sale and costs, premiums and discounts relative to the hedging transaction are deferred and included in the measurement of the purchase or sale. Exchange gains or losses arising on the hedge transaction after that date are taken to the net profit.

(iii) Hedges of foreign operations

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation , together with hedges of such monetary items and related tax effects, are eliminated against the foreign currency translation reserve on incorporation of the foreign operation's financial report into the financial report of the BHP Steel Group.

(iv) Foreign controlled entities

As all foreign controlled entities are self-sustaining, their assets and liabilities are translated into Australian currency at rates of exchange current at balance date, while their revenues and expenses are translated at the monthly average rate. Exchange differences arising on translation are taken to the foreign currency translation reserve.

Upon disposal or partial disposal of a self-sustaining foreign operation, the balance of the foreign currency translation reserve relating to the operation, or to the part disposed of, is transferred to retained profits.

(g) Revenue recognition

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

Sale of goods
Control of the goods has passed to the buyer.

Rendering of services
Where the contract outcome can be reliably measured, control of the right to be compensated for the services and the stage of completion can be reliably measured.

Interest and dividends
Control of the right to receive the interest and dividend payment.

(h) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is determined as the fair value of the assets given up, shares issued or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition.

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 the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is brought to account on the basis described in note 1(l).

Where an entity or operation is acquired and the fair value of the identifiable net assets, including any liability for restructuring costs, exceeds the cost of acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Where, after reducing to zero the recorded amounts of the non-monetary assets acquired, a discount balance remains it is recognised as revenue in the Statement of Financial Performance.

(i) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials - purchase cost on a first-in-first-out basis; and
- finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

(j) Recoverable amount of non-current assets

All non-current assets are reviewed at least bi-annually to determine whether their carrying amounts exceed their recoverable amount. If the asset is determined to be impaired, an impairment loss will be recorded, and the asset written down, based on the amount by which the asset carrying value exceeds the higher of net realisable value and estimated recoverable amount. Estimated recoverable amount is determined using expected pre-tax net cash flows discounted for the current year at 15.1%.

(k) Employee entitlements

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. All other employee benefit liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date.

BHP Steel's policy is to account for superannuation contributions when they are payable.

(l) Intangible assets and expenditure carried forward

(i) Goodwill
Where an entity or operation is acquired, the identifiable net assets acquired are measured at fair value. The excess of the fair value of the cost of acquisition over the fair value of the identifiable net assets acquired, including any liability for restructuring costs, is brought to account as goodwill and amortised on a straight line basis over the period during which the benefits are expected to arise, not exceeding a period of 20 years. Unamortised balances are reviewed bi-annually to assess the probability of continuing future benefits.

(ii) Research expenditure
Expenditure for research is included in the statement of financial performance as and when incurred on the basis that continuing research is part of the overall cost of being in business, except to the extent that future benefits deriving from those costs are expected beyond any reasonable doubt to exceed those costs, in which case it is capitalised and amortised over the period of the expected benefit.

(iii) Patents and trademarks
Amounts paid for patents & trademarks are capitalised and then amortised on a straight-line basis over the expected period of benefit. Unamortised balances are reviewed bi-annually to assess the probability of continuing future benefits.

(m) Property, plant and equipment

Valuation in accounts

Property, plant and equipment has been recorded at cost.

Depreciation of property, plant and equipment

Depreciation is calculated on a straight line basis to write off the net cost or revalued amount of each item of property, plant and equipment (excluding land) over its expected useful life. Estimates of remaining useful lives are made on a regular basis for all assets. The expected useful lives are as follows:

Category	*Useful life*
Buildings	Up to 40 years
Plant, machinery and equipment	Up to 30 years

(n) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases
The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Finance leases
Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to the group are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the shorter of the estimated useful life of the assets and the lease term. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Statement of Financial Performance.

(o) Borrowing costs

Borrowing costs are generally expensed as incurred except where they relate to the financing of construction or development of assets requiring a substantial period of time to prepare for their intended future use. Borrowing costs are capitalised up to the date when the asset is ready for its intended use. The amount of borrowing costs capitalised for the period is determined by applying the interest rate applicable to appropriate borrowings outstanding during the period to the average amount of accumulated expenditure for the assets during the period.

Borrowing costs include:
- interest on bank overdrafts and short-term and long-term borrowings
- amortisation of discounts or premiums relating to borrowings
- amortisation of ancillary costs incurred in connection with the arrangement of borrowings, and
- finance lease charges.

(p) Joint ventures

The interest in a joint venture partnership is accounted for using the equity method. Under this method, the investment is initially recorded at its cost of acquisition and its carrying value is subsequently adjusted for the share of the profits or losses and reserves of the partnership. The investment in the joint venture partnership is decreased by the amounts of dividends received or receivable. Details relating to the joint venture partnership are set out in note 41.

(q) Provisions

Provisions are recognised when the economic entity has a legal, equitable and constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimated can be made of the amount of the obligation.

A provision for product claims is recognised for all products at the reporting date based on sales volume and past experience of the level of repairs and replacements.

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

(r) Derivative financial instruments

The BHP Steel Group is exposed to changes in interest rates, foreign currency exchange rates and commodity prices and, in certain circumstances, uses derivative financial instruments to hedge some of these risks.

When undertaking risk mitigation transactions, hedge accounting principles are applied, whereby derivatives are matched to the specifically identified commercial risks being hedged. These matching principles are applied to both realised and unrealised transactions. Derivatives undertaken as hedges of anticipated transactions are recognised when such transactions are recognised. Upon recognition of the underlying transaction, derivatives are valued at the appropriate market spot rate.

When an underlying transaction can no longer be identified, gains or losses arising from a derivative that has been designated as a hedge of that transaction will be included in the Statement of Financial Performance whether or not such derivative is terminated.

Where a hedge is terminated, the deferred gain or loss that arose prior to termination is:
(a) deferred and included in the measurement of the anticipated transaction when it occurs; or
(b) included in the Statement of Financial Performance where the anticipated transaction is no longer expected to occur.

Costs arising at the time of entering into hedging transactions are included in other assets and deferred and included in the settlement of the underlying transaction.

Forward exchange contracts
In certain circumstances, the BHP Steel Group may enter into forward exchange contracts where it agrees to sell specified amounts of foreign currencies in the future at a predetermined exchange rate. The objective is to match the contract with anticipated future cash flows from sales and purchases in foreign currencies, to protect the consolidated entity against the possibility of loss from future exchange rate fluctuations. The forward exchange contracts are usually for no longer than twelve months.

Forward exchange contract are recognised at the date the contract is entered into. Exchange gains or losses on forward exchange contracts are recognised in net profit except those relating to hedges of specific commitments that are deferred and included in the measurement of the sale or purchase.

Interest rate swaps
In certain circumstances, the BHP Steel Group may enter into interest rate swap agreements to convert fixed interest rates on borrowings to variable interest rates and vice versa. Any swaps entered into have the objective of reducing the risk of movements in interest rates.

It is the company's policy not to recognise interest rate swaps in the financial statements.

(s) Other financial assets

Interests in unlisted securities, other than controlled entities and associates in the consolidated financial statements, are brought to account at cost and dividend income is recognised in the Statement of Financial Performance when receivable. Controlled entities and associates are accounted for in the consolidated financial statements as set out in note 1(b).

The interest in a joint venture partnership is accounted for as set out in note 1(p).

Note 2. Segment information

Business Segments

The consolidated entity has four business reporting segments: Hot Rolled Products, Coated Products Australia, New Zealand Steel and Coated Products Asia.

In view of the fact that certain operations forming part of the BHP Steel Group were legally acquired part way through the previous financial year or had not been acquired by the BHP Steel Group until after 30 June 2002, the previous year's segment information is not representative of the previous year's proforma results reported in the Annual Earnings Report dated 28 August 2003.

On 3 July 2002, BHP Steel Limited acquired BHP Steel (AIS) Pty Ltd from the BHP Billiton Group. For accounting purposes, the effective acquisition date was 1 July 2002 and therefore the financial results for the twelve month period to 30 June 2003 reflects a full year's results.

Hot Rolled Products
Hot Rolled Products includes a 50% interest in North Star BHP Steel joint venture, a steel mini-mill in the United States which was legally acquired in June 2002, and a 47.5% shareholding in Castrip LLC.

On 3 July 2002, BHP Steel Limited acquired BHP Steel (AIS) Pty Ltd, which includes the Port Kembla Steelworks, a Hot Rolled Products operation with an annual production capacity of 5.0 million tonnes of crude steel. The Port Kembla Steelworks manufactures and distributes slab, hot rolled coil and plate. Slab and hot rolled coil is supplied to Coated Products Australia for further processing, as well as to other domestic and export customers.

Coated Products Australia
Coated Products Australia markets a range of products and material solutions to the Australian building and construction industry and is also a key supplier to the Australian automotive sector, major white goods manufacturers and general manufacturers. Coated Products Australia is a leader in metallic coating and painting technologies supplying a wide range of branded products such as COLORBOND® pre-painted steel, ZINCALUME® zinc/aluminium alloy-coated steel and the LYSAGHT® range of building products. The coated products business comprises two main production facilities at Springhill in New South Wales and Westernport in Victoria together with a network of manufacturing and distribution facilities throughout Australia.

On 3 July 2002, BHP Steel Limited acquired BHP Steel (AIS) Pty Ltd which includes Packaging Products, a Coated Products Australia operation producing tinplate and blackplate in Australia which are used by the packaging industry in applications for food, beverages, paint, oil and other steel packaging.

Coated Products Asia
Coated Products Asia manufactures and distributes a range of metallic coated and painted steel products primarily to the building and construction industry and to some sections of the manufacturing industry across Asia and the Pacific.

The Indonesian metallic coating facility and two roll forming plants in China were acquired on 22 April 2002 and 15 February 2002 respectively.

New Zealand Steel
On 3 July 2002, BHP Steel Limited acquired BHP Steel (AIS) Pty Ltd, which includes the New Zealand Steel operation at Glenbrook, New Zealand. This operation produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of 0.6 million tonnes.

Corporate and Group
Corporate and Group relates primarily to transport and logistics, export trading and corporate activities.

Note 2. Segment information (continued)

Geographical segments

The consolidated entity operates in four main geographical areas being Australia, New Zealand, Asia and North America.

Intersegment sales and accounting policies

Intersegment sales are made on a commercial basis. Segment accounting policies are the same as the consolidated entity's polices described in Note 1.

Primary reporting - business segments

2003	Hot Rolled Products[1] $m	Coated Products Australia $m	Coated Products Asia $m	New Zealand Steel $m	Corporate and Group $m	Inter-segment eliminations $m	Consolidated $m
Sales to external customers	1,198.7	2,622.9	553.5	468.7	428.3	-	5,272.1
Intersegment sales	1,426.8	105.4	15.1	79.9	287.6	(1,914.8)	-
Total sales revenue	2,625.5	2,728.3	568.6	548.6	715.9	(1,914.8)	5,272.1
Other revenue	6.3	6.9	6.7	2.0	6.2	1.9	30.0
Total segment revenue	2,631.8	2,735.2	575.3	550.6	722.1	(1,912.9)	5,302.1
Segment result	471.2	118.5	84.0	44.4	(101.8)	(5.2)	611.1
Unallocated revenue less unallocated expenses							(17.5)
Profit/(loss)from ordinary activities before income tax expense							593.6
Income tax credit/(expense)							(120.9)
Net profit							472.7
Segment assets	2,236.3	1,607.1	483.2	501.4	108.1	(211.6)	4,724.5
Unallocated assets[2]							28.6
Total assets							4,753.1
Segment liabilities	396.5	399.0	79.3	78.0	138.3	(167.7)	923.4
Unallocated liabilities[2]							738.6
Total liabilities							1,662.0
Investments in associates and joint venture partnership	151.6	-	-	-	-	-	151.6
Acquisition of property, plant and equipment, intangibles and other non-current segment assets[3]	1,898.4	49.2	40.3	346.5	10.8	-	2,345.2
Depreciation and amortisation expense	119.9	83.5	24.6	37.0	5.1	-	270.1
Other non-cash expenses	(0.9)	1.0	0.9	11.9	0.2	-	13.1

(1) The Hot Rolled Products segment result includes $69.2 million share of net profits of associates (refer note 41).
(2) External borrowings, cash and tax balances are classified as unallocated.
(3) Includes property, plant and equipment acquired on 3 July 2002 from the purchase of BHP Steel (AIS) Pty Limited for $2,175.5 million. This is primarily reflected in the Hot Rolled Products and New Zealand Steel reporting segments.

Note 2. Segment information (continued)

Primary reporting - business segments (continued)

2002	Hot Rolled Products $m	Coated Products Australia $m	Coated Products Asia $m	New Zealand Steel $m	Corporate and Group $m	Inter-segment eliminations $m	Consolidated $m
Sales to external customers	-	1,937.0	372.6	16.4	132.5	-	2,458.5
Intersegment sales	-	28.7	42.5	-	68.2	(139.4)	-
Total sales revenue	-	1,965.7	415.1	16.4	200.7	(139.4)	2,458.5
Other revenue	-	1.3	6.5	-	0.8	21.6	30.2
Total segment revenue	-	1,967.0	421.6	16.4	201.5	(117.8)	2,488.7
Segment result	(10.8)	49.5	54.6	0.3	(74.6)	2.3	21.3
Unallocated revenue less unallocated expenses							(38.6)
Profit from ordinary activities before income tax expense							(17.3)
Income tax expense							21.1
Net profit							3.8
Segment assets	157.5	1,218.2	509.3	17.0	25.9	(60.9)	1,867.0
Unallocated assets(1)							1,890.6
Total assets							3,757.6
Segment liabilities	-	301.9	72.4	13.5	87.6	(53.8)	421.6
Unallocated liabilities(1)							2,564.3
Total liabilities							2,985.9
Investments in associates and joint venture partnership	146.3	-	-	-	-	-	146.3
Acquisition of property, plant and equipment, intangibles and other non-current segment assets	-	55.2	118.3	-	8.6	-	182.1
Depreciation and amortisation expense	-	58.2	17.8	-	1.2	-	77.2
Other non-cash expenses	10.2	0.7	1.3	-	0.7	-	12.9

(1) Related party loans receivable and payable, external borrowings, cash and tax balances are classified as unallocated.

Note 2. Segment information (continued)

Secondary reporting - geographical segments

	Segment external sales revenues by location of customer		Segment assets		Acquisition of property, plant & equipment, intangibles and other non- current segment assets	
	2003 $m	2002 $m	**2003 $m**	2002 $m	**2003 $m**	2002 $m
Geographical Classification						
Australia	**3,039.4**	1,752.0	**3,440.2**	2,965.8	**1,957.0**	62.3
New Zealand	**334.4**	2.6	**528.0**	-	**346.5**	-
Asia	**1,152.7**	430.3	**541.4**	568.2	**40.0**	118.4
North America	**404.9**	-	**188.2**	174.4	**-**	0.2
Other	**340.7**	273.6	**55.3**	49.2	**1.7**	1.2
	5,272.1	2,458.5	**4,753.1**	3,757.6	**2,345.2**	182.1

Note 3. Revenue

	Consolidated		Parent entity	
	2003 $m	2002 $m	**2003 $m**	2002 $m
Revenue from operating activities				
Sale of goods	**5,144.6**	2,425.3	**2,316.7**	2,001.5
Rendering of services	**127.5**	33.2	**-**	-
	5,272.1	2,458.5	**2,316.7**	2,001.5
Revenue from outside the operating activities				
Management fees related parties	**-**	14.4	**1.1**	14.4
Interest related parties	**-**	6.6	**29.4**	0.3
Interest external	**4.1**	1.7	**0.1**	-
Dividends related parties	**-**	-	**44.6**	5.1
Dividends external	**1.9**	-	**-**	-
Rental income related parties	**-**	-	**0.3**	0.3
Royalty income related parties	**-**	-	**3.6**	1.8
Other revenue	**15.0**	5.2	**0.9**	1.4
Gross proceeds from the sale of assets	**9.0**	2.3	**6.2**	0.2
	30.0	30.2	**86.2**	23.5
Revenue from ordinary activities	**5,302.1**	2,488.7	**2,402.9**	2,025.0

Note 4. Profit from ordinary activities

	Consolidated		Parent entity	
	2003 $m	2002 $m	**2003 $m**	2002 $m
(a) Net gains and expenses				
Profit from ordinary activities before income tax expense includes the following specific net gains and expenses:				
Net Gains				
Net gain on disposal				
Property, plant and equipment	**4.5**	0.1	**4.3**	0.1
Expenses				
Cost of goods sold	**3,859.5**	2,097.5	**1,805.1**	1,674.9
Depreciation				
Buildings	**14.9**	6.0	**3.4**	3.6
Plant and equipment	**254.8**	71.2	**58.1**	54.7
Total depreciation	**269.7**	77.2	**61.5**	58.3
Amortisation				
Goodwill	**0.4**	-	**-**	-
Total amortisation	**0.4**	-	**-**	-
Total depreciation and amortisation	**270.1**	**77.2**	**61.5**	58.3
Other charges against assets				
Write down/ (writeback) of inventories to NRV	**0.4**	(1.5)	**1.8**	(1.5)
Write down of investments to recoverable amount	**12.6**	0.4	**-**	-
Write down of controlled entity investments to recoverable amount	**-**	-	**6.7**	-
Write down of other assets to recoverable amount	**-**	10.2	**-**	10.2
Bad and doubtful debts - trade debtors	**(0.3)**	3.8	**(0.8)**	2.2
Bad and doubtful debts - sundry debtors	**0.5**	-	**-**	-
Borrowing costs				
Related parties	**-**	40.8	**-**	40.2
Other parties	**26.4**	5.3	**-**	-
Total borrowing costs	**26.4**	46.1	**-**	40.2
Amount capitalised	**(4.4)**	-	**-**	-
Borrowing costs expensed	**22.0**	46.1	**-**	40.2
Research and development	**15.5**	15.6	**10.5**	15.1
Net foreign exchange losses	**(21.3)**	(1.4)	**(7.8)**	(0.1)
Defined benefit superannuation expense (note 38)	**114.2**	-	**47.0**	-
Rental expense relating to operating leases	**55.6**	13.6	**23.1**	11.2

Note 4. Profit from ordinary activities (continued)

	2003 $m	2002 $m	**2003 $m**	2002 $m
(b) Individually significant expenses				
Provision for costs associated with the company name change[(1)]	**20.0**	-	**20.0**	-
Lump sum contribution to the defined benefit division of the Australian Superannuation Fund[(2)]	**20.0**	-	**9.2**	-
Provision for write-down of investment[(3)]	**11.8**	-	**-**	-
	51.8	-	**29.2**	-

(1) BHP Steel Limited is required to change its company name within two years of the separation from the BHP Billiton Group.
(2) In January 2003, a $20 million lump sum contribution was made to the BHP Steel Superannuation Fund defined benefit division.
(3) In support of the New Zealand Steel Pension Fund, a group company made an investment of $11.8 million in redeemable preference shares of Manukau International Limited, a company that has financial obligations to the Fund. While this investment results in an improvement in the financial position of the Pension Fund, it has been fully provided at 30 June 2003 on the basis that it is not considered recoverable by the company (refer note 14).

Note 5. Income tax

	Consolidated		Parent entity	
	2003 $m	2002 $m	**2003 $m**	2002 $m
(a) The income tax expenses for the financial year differs from the amount calculated on the profit. The differences are reconciled as follows:				
Profit/(loss) from ordinary activities before income tax expense	**593.6**	(17.3)	**131.2**	(28.4)
Income tax calculated @ 30%	**178.1**	(5.2)	**39.3**	(8.5)
Tax effect of permanent differences				
Non-deductible depreciation and amortisation	**2.9**	0.9	**0.6**	0.6
Research and development incentive	**(2.8)**	(1.0)	**(0.9)**	(1.0)
Recognition of prior year tax losses	**(47.5)**	-	**-**	-
Non-assessable dividends	**(0.5)**	-	**(13.4)**	(1.5)
Non taxable (gains)/ losses	**(2.0)**	(1.4)	**1.1**	-
Exempt income	**(10.9)**	(8.0)	**-**	-
Non-deductible entertainment	**0.5**	0.3	**0.3**	0.3
Other variations	**4.7**	(1.0)	**3.5**	1.9
Income tax adjusted for permanent differences	**122.5**	(15.4)	**30.5**	(8.2)
Effect of differing rates of tax on overseas income	**0.4**	(0.5)	**-**	-
Under (over) provision in prior year	**(2.0)**	(5.2)	**3.4**	(3.4)
Income tax expense/ (credit)	**120.9**	(21.1)	**33.9**	(11.6)

Note 5. Income tax (continued)

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
(b) The directors estimate that the potential future income tax benefit at 30 June 2003 in respect of tax losses not brought to account is	215.9	82.1	-	-

This benefit for tax losses will only be obtained if:

(i) the entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, or
(ii) the losses are transferred to an eligible entity in the consolidated entity, and
(iii) the entity continues to comply with the conditions for deductibility imposed by tax legislation, and
(iv) no changes in tax legislation adversely affect the entity in realising the benefit from the deductions for the losses.

Future income tax benefits attributable to tax losses recognised as a reduction of the provision for deferred income tax are disclosed in note 25.

Tax consolidation (Australian tax group)
The BHP Steel Group has yet to elect to enter the Australian tax consolidation system which if elected would require a single consolidated tax return to be lodged for wholly owned Australian group entities.

Note 6. Current assets - Cash assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Cash at bank and on hand	**83.1**	81.1	**1.9**	0.1
Short term deposits	**7.9**	17.6	**-**	-
	91.0	98.7	**1.9**	0.1

The above figures reconcile to cash at the end of the financial year as shown in the statements of cash flows.

Note 7. Current assets - Receivables

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Trade debtors	**524.4**	257.8	**166.4**	155.7
Less: Provision for doubtful debts	**13.0**	15.7	**3.2**	5.1
	511.4	242.1	**163.2**	150.6
Related party trade debtors	**-**	1.7	**21.2**	9.9
Other debtors	**128.2**	32.7	**29.2**	21.2
Loans to related parties	**-**	1,837.8	**692.4**	1,869.3
	639.6	2,114.3	**906.0**	2,051.0

Sale of receivables program

The value of trade receivables for the parent and consolidated entity at 30 June 2003 would have been $159.6 million and $206.0 million higher respectively (2002: $82.5 million higher for both) but for the sale of such receivables. Collections of $57.7 million were held on behalf of the purchasers of the receivables at 30 June 2002, and have been classified as other creditors. A change in the sale of receivables program in the current year has resulted in collections from debtors sold to be allocated to a new pool of receivables. A balance of $22.6 million for the parent and $29 million for the consolidated entity (2002: $12.7 million for both) is held in other debtors in relation to the sale of receivables program, representing retentions on the amounts sold.

BHP Steel (Finance) Ltd purchased receivables from North Star BHP Steel, a 50% owned joint venture partnership (refer note 41) and then onsold these receivables to an asset securitisation company. This has resulted in a balance of $65.0 million being recorded in other debtors and an offsetting amount in other creditors representing collections from debtors sold.

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2003 **$m**	2002 $m	**2003** **$m**	2002 $m
Raw materials and stores				
At cost	**110.0**	53.5	**26.3**	33.9
	110.0	53.5	**26.3**	33.9
Work in progress				
At cost	**258.6**	82.2	**124.6**	97.5
At net realisable value	**7.5**	5.9	**4.3**	5.7
	266.1	88.1	**128.9**	103.2
Finished goods				
At cost	**196.1**	99.7	**64.2**	45.7
At net realisable value	**28.3**	8.5	**9.0**	8.4
	224.4	108.2	**73.2**	54.1
Spares and other				
At cost	**38.9**	8.0	**5.1**	5.1
	38.9	8.0	**5.1**	5.1
Total current assets - inventories				
At cost	**603.6**	243.4	**220.2**	182.2
At net realisable value	**35.8**	14.4	**13.3**	14.1
	639.4	257.8	**233.5**	196.3

Note 9. Current assets - Other financial assets

	Consolidated		Parent entity	
	2003 **$m**	2002 $m	**2003** **$m**	2002 $m
Investments - cost				
Term deposits	**4.1**	2.2	**-**	-

Note 10. Current assets - Other

	Consolidated		Parent entity	
	2003 **$m**	2002 $m	**2003** **$m**	2002 $m
Deferred charges and prepayments	**17.6**	9.4	**3.4**	0.9

Note 11. Non-current assets - Receivables

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Related party trade debtors (note 39)	**-**	-	**8.4**	8.4
Other receivables	**10.8**	10.8	**10.3**	10.3
	10.8	10.8	**18.7**	18.7

Note 12. Non-current assets - Inventories

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Raw materials and stores				
At cost	**0.8**	0.8	**0.8**	0.8
	0.8	0.8	**0.8**	0.8
Spares and other				
At cost	**52.2**	22.6	**21.8**	22.6
At net realisable value	**5.2**	-	**-**	-
	57.4	22.6	**21.8**	22.6
Total non-current inventories				
At cost	**53.0**	23.4	**22.6**	23.4
At net realisable value	**5.2**	-	**-**	-
	58.2	23.4	**22.6**	23.4

Note 13. Non-current assets - Investments accounted for using the equity method

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Loan to joint venture partnership	**21.0**	60.0	**-**	-
Equity accounted joint venture partnership (note 41)	**130.6**	86.3	**-**	-
Total equity accounted investment	**151.6**	146.3	**-**	-

Investments in joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting.

Reconciliations
Reconciliations of the movement in the carrying amounts of the interest in a joint venture partnership is set out in note 41.

Note 14. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Non-traded investments				
Shares in controlled entities - at cost (note 40)	**-**	-	**1,648.9**	410.1
Less: Provision for write down	**-**	-	**6.7**	-
Shares in other corporations - at cost	**16.3**	0.2	**-**	-
Less: Provision for write down (note 4(b))	**11.8**	-	**-**	-
Total non-traded shares - at cost	**4.5**	0.2	**1,642.2**	410.1
Partnerships	**9.7**	10.6	**-**	-
Less: Provision for write down	**9.7**	10.6	**-**	-
Investment - at recoverable amount	**-**	-	**-**	-
	4.5	0.2	**1,642.2**	410.1

Note 15. Non-current assets - Property, plant & equipment

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Land & buildings (a)				
Land & buildings				
At cost	**588.7**	305.9	**152.5**	148.2
Less: Accumulated depreciation	**248.1**	99.9	**74.5**	71.8
Total land and buildings	**340.6**	206.0	**78.0**	76.4
Plant, machinery and equipment (b)				
Plant, machinery and equipment				
At cost	**5,783.6**	1,798.2	**1,469.4**	1,437.6
Less: Accumulated depreciation	**3,038.6**	939.1	**836.4**	792.7
Total plant, machinery and equipment	**2,745.0**	859.1	**633.0**	644.9
Total property, plant and equipment	**3,085.6**	1,065.1	**711.0**	721.3

Note 15. Non-current assets - Property, plant & equipment (continued)

Reconciliations
Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current year are set out below:

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
(a) **Land and buildings**				
Opening carrying value	**206.0**	186.6	**76.4**	79.9
Additions	**22.2**	0.1	**2.2**	0.2
Additions through acquisition of entities	**145.3**	33.3	**-**	-
Depreciation	**(14.9)**	(6.0)	**(3.4)**	(3.6)
Disposals	**(2.0)**	(0.2)	**(1.2)**	-
Class reclassification	**3.9**	0.2	**4.0**	(0.1)
Exchange variations/other	**(19.9)**	(8.0)	**-**	-
Closing carrying value	**340.6**	206.0	**78.0**	76.4
(b) **Plant, machinery and equipment**				
Opening carrying value	**859.1**	797.5	**644.9**	638.7
Additions	**161.9**	77.4	**49.0**	60.9
Additions through acquisition of entities	**2,012.2**	70.7	**-**	-
Depreciation	**(254.8)**	(71.2)	**(58.1)**	(54.7)
Disposals	**(2.5)**	(1.9)	**(0.8)**	(0.1)
Class reclassification	**(1.9)**	(0.2)	**(2.0)**	0.1
Exchange variations/other	**(29.0)**	(13.2)	**-**	-
Closing carrying value	**2,745.0**	859.1	**633.0**	644.9
Valuation of land and buildings				
Land	**175.2**	96.0	**42.6**	41.3
Buildings	**497.7**	221.0	**125.5**	126.9
	672.9	317.0	**168.1**	**168.2**

The current value of land is determined mainly by reference to rating authority valuations, or cost for recent acquisitions, except where land is an integral part of a producing asset with no significant value beyond such use, in which case book value is used.

The current value of buildings is based primarily on depreciated replacement value. Buildings which are integral parts of producing plant are classified as plant and equipment and accordingly excluded from this valuation.

Note 16. Non-current assets - Deferred tax assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Future income tax benefit	**37.3**	19.2	**-**	-

The consolidated future income tax benefit includes an amount for income tax losses of $22.5 million (2002: $4.2 million).

Note 17. Non-current assets - Intangible assets

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Goodwill at cost	**4.9**	0.7	**-**	-
Less: Goodwill at cost - accumulated amortisation	**0.4**	-	**-**	-
	4.5	0.7	**-**	-
Patents - at cost	**10.4**	12.1	**0.2**	0.2
Less: Accumulated amortisation	**10.4**	12.1	**0.2**	0.2
	-	-	**-**	-
	4.5	0.7	**-**	-

Note 18. Non-current assets - Other

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Deferred charges and prepayments	**8.9**	9.5	**1.1**	2.2

Note 19. Current liabilities - Payables

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Trade creditors	**352.3**	110.3	**86.7**	73.3
Related party trade creditors	**-**	120.7	**72.7**	66.6
Other creditors	**140.7**	120.2	**32.0**	97.9
	493.0	351.2	**191.4**	237.8

Note 20. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Unsecured				
Bank loans (note 32(b))	**101.5**	71.2	**-**	-
Loans from related parties	**-**	2,208.4	**389.0**	2,348.6
	101.5	2,279.6	**389.0**	2,348.6

Note 21. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Income tax	**108.0**	2.8	**38.7**	-

Note 22. Current liabilities - Provisions

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Product claims	**36.0**	35.8	**33.8**	35.8
Employee benefits	**198.7**	58.8	**87.1**	53.6
Restructuring	**0.3**	2.3	**0.3**	2.3
Other	**23.7**	3.9	**20.5**	0.9
	258.7	100.8	**141.7**	92.6

Product claims
A provision for product claims is recognised for all products at the reporting date based on sales volumes and past experience of the level of repairs and replacements.

Other
This provision includes $20 million for the required company name change.

Note 23. Current liabilities - Other

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Deferred income	**8.1**	3.9	**-**	-
	8.1	3.9	**-**	-

Note 24. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Unsecured				
Bank loans (note 32(b))	**33.8**	56.2	**-**	-
Other loans (note 32(b))	**32.6**	38.3	**-**	-
Total unsecured non-current interest bearing liabilities	**66.4**	94.5	**-**	-
Total non-current interest bearing liabilities	**66.4**	94.5	**-**	-

Note 24. Non-current liabilities - Interest bearing liabilities (continued)

Financing arrangements

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Bank overdrafts	**16.4**	5.2	**-**	-
Bank loan facilities	**794.6**	190.5	**-**	-
	811.0	195.7	**-**	-
Used at balance date				
Bank loan facilities	**120.3**	127.4	**-**	-
	120.3	127.4	**-**	-
Unused at balance date				
Bank overdrafts	**16.4**	5.2	**-**	-
Bank loan facilities	**674.3**	63.1	**-**	-
	690.7	68.3	**-**	-

Bank loan facilities

Bank loan facilities for Australian operations consist of the following facilities:

(a) a $550 million Loan Note Facility with a syndicate of banks. The facility comprises a 3 year tranche of $300 million and a 5 year tranche of $250 million maturing respectively in June 2005 and in June 2007.

(b) $100 million of 364 day facilities to support working capital and other short term cash requirements. These comprise a $40 million facility and two $30 million facilities, maturing in June and July 2004.

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.

Subsequent to 30 June 2003, the $550 million Loan Note Facility was adjusted to $400 million with two tranches of $200 million maturing in June 2005 and June 2007.

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

Note 25. Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Provision for deferred income tax	**395.1**	103.5	**76.9**	92.6

The consolidated provision for deferred income tax has been reduced by $11.4 million (2002: $6.5 million) in respect of future income tax benefits attributable to tax losses (see also note 5).

Note 26. Non-current liabilities - Provisions

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Product claims	**19.2**	-	**4.7**	-
Employee benefits	**210.6**	49.6	**49.2**	46.5
Provision for restoration and rehabilitation	**1.4**	-	**-**	-
	231.2	49.6	**53.9**	46.5

Movements in provisions

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

	Product claims $m	**Restructuring $m**	**Restoration & rehabilitation $m**	**Other $m**	**Total $m**
Consolidated					
Current and Non-current					
Carrying amount at 1 July 2002	35.8	2.3	-	3.9	42.0
Additional provisions recognised	29.4	3.4	0.4	21.2	54.4
Payments	(18.3)	(5.4)	-	(0.9)	(24.6)
Provisions acquired	8.7	-	1.0	-	9.7
Exchange fluctuations	(0.4)	-	-	-	(0.4)
Transfers	-	-	-	(0.5)	(0.5)
Carrying amount at 30 June 2003	55.2	0.3	1.4	23.7	80.6

	Product claims $m	**Restructuring $m**	**Restoration & rehabilitation $m**	**Other $m**	**Total $m**
Parent entity					
Curent and Non-current					
Carrying amount at 1 July 2002	35.8	2.3	-	0.9	39.0
Additional provisions recognised	19.2	3.4	-	20.0	42.6
Payments	(16.5)	(5.4)	-	(0.4)	(22.3)
Carrying amount at 30 June 2003	38.5	0.3	-	20.5	59.3

Note 27. Contributed equity

	Parent entity		Parent entity	
	2003	2002	**2003**	2002
	Shares	Shares	**$m**	$m
Issued and fully paid up capital	**784,685,949**	100,000,000	**2,182.1**	164.0

(a) Movements in ordinary share capital

Date	Details	Notes	Number of shares	Issue/ redemption price	$m
30-6-2002	Balance		100,000,000		164.0
22-7-2002	Demerger from BHP Billiton		693,000,000	$2.95	2,045.4
31-3-2003	Share buyback		(1,615,000)	$3.08	(5.0)
30-4-2003	Share buyback		(2,800,000)	$3.27	(9.2)
31-5-2003	Share buyback		(2,816,999)	$3.24	(9.1)
30-6-2003	Share buyback		(1,082,052)	$3.59	(3.9)
					2,182.2
	Less: Transaction costs arising on share buyback				0.1
30-6-2003	Balance		784,685,949		2,182.1

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(c) Share buyback

On the release of the December 2002 half year result, the company announced that it would commence a 10% on-market buyback of share capital, commencing 14 March 2003. Due to restrictions under the Corporations Law, only 9,999,998 shares could be bought back before 12 July 2003 (12 month anniversary of the demerger), whilst the remaining 69,300,002 shares can be purchased after that date.

The total cost of the buyback to 30 June 2003 of $27.3 million includes $0.1 million for transaction costs. As at 30 June 2003 the total number of shares bought back was 8,314,051.

(d) Share rights

For details on share rights issued to senior executives refer to note 34.

Note 28. Reserves and retained profits

	Consolidated **2003** **$m**	Consolidated 2002 $m	Parent entity **2003** **$m**	Parent entity 2002 $m
(a) Reserves				
Asset revaluation reserve	**-**	117.6	**-**	117.4
Foreign currency translation reserve	**(91.2)**	(13.3)	**-**	-
General reserve	**-**	78.6	**-**	78.6
	(91.2)	182.9	**-**	196.0
Movements:				
Asset revaluation reserve				
Opening balance	**117.6**	117.6	**117.4**	117.4
Transfer to retained profits	**(117.6)**	-	**(117.4)**	-
Closing balance	**-**	117.6	**-**	117.4
Foreign currency translation reserve				
Opening balance	**(13.3)**	17.1	**-**	-
Net exchange differences on translation of foreign controlled entities	**(77.9)**	(30.4)	**-**	-
Closing balance	**(91.2)**	(13.3)	**-**	-
General reserve				
Opening balance	**78.6**	78.6	**78.6**	78.6
Transfer to retained profits	**(78.6)**	-	**(78.6)**	-
Closing balance	**-**	78.6	**-**	78.6
Asset realisation reserve				
Opening balance	**-**	5.9	**-**	5.3
Transfer to retained profits	**-**	(5.9)	**-**	(5.3)
Closing balance	**-**	-	**-**	-

	Notes	Consolidated **2003** **$m**	Consolidated 2002 $m	Parent entity **2003** **$m**	Parent entity 2002 $m
(b) Retained profits					
Retained profits at the beginning of the financial year		**387.7**	392.1	**245.9**	257.4
Net profit/(loss) attributable to members of BHP Steel Limited		**451.7**	(10.3)	**97.3**	(16.8)
Adjustment resulting from adoption of revised accounting standard AASB 1028 "Employee Benefits"	1(a)	**(2.8)**	-	**(1.1)**	-
Dividends provided for or paid	31	**(71.4)**	-	**(71.4)**	-
Aggregate of amounts transferred from reserves	28(a)	**196.2**	5.9	**196.0**	5.3
		961.4	387.7	**466.7**	245.9

Note 28. Reserves and retained profits (continued)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve
Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(f)(iv).

(ii) Asset revaluation reserve and general reserve
These reserves have been transferred to retained profits following a review of their purpose which established that they were no longer applicable.

Note 29. Outside equity interests in controlled entities

	Consolidated	
	2003	2002
	$m	$m
Interest in:		
Share capital	**52.0**	67.5
Reserves	**(18.2)**	(13.3)
Retained profits	**5.0**	(17.1)
	38.8	37.1

Note 30. Equity

		Consolidated		Parent entity	
	Notes	**2003**	2002	**2003**	2002
		$m	$m	**$m**	$m
Total equity at the beginning of the financial year		**771.7**	814.9	**605.9**	573.2
Total changes in equity recognised in the statement of financial performance		**371.0**	(40.7)	**96.2**	(16.8)
Transactions with owners as owners:					
Contributions of equity	27	**2,045.4**	-	**2,045.4**	49.5
Share buy-back	27	**(27.3)**	-	**(27.3)**	-
Dividends provided for or paid	31	**(71.4)**	-	**(71.4)**	-
Total changes in outside equity interest	29	**1.7**	(2.5)	**-**	-
Total equity at the end of the financial year		**3,091.1**	771.7	**2,648.8**	605.9

Note 31. Dividends

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Total dividends provided for or paid	**71.4**	-	**71.4**	-

As at 30 June 2003, the franking account balance for the company is $105.8 million (2002: $nil). The franking account balance includes franking credits that are expected to arise from the payment of income tax payable as at the end of the financial year.

An interim fully franked dividend of 9 cents per fully paid ordinary share was paid on 22 April 2003. The total interim dividend paid was $71.4 million. The directors have declared a fully franked final dividend of 13 cents and a special fully franked dividend of 7 cents per fully paid ordinary share. The estimated final dividend payable of $100.2 million and the special dividend payable of $54.0 million to be paid on 10 October 2003 (record date 16 September 2003), have not been recognised as a liability at 30 June 2003.

Note 32. Financial instruments

The BHP Steel group's financial risks are categorised under the following headings:

- Liquidity and Credit risk; and
- Price risk.

The nature of these risks and the policies the BHP Steel Group has for controlling them and any concentrations of exposure are discussed under each risk category.

The BHP Steel Group's accounting policies for financial instruments are set out in Note 1 (r).

Liquidity and Credit Risk

The BHP Steel Group will satisfy its ongoing capital expenditure requirements and meet its working capital needs through cash generated from operations, together with cash on hand and borrowings made available under existing and new financing facilities.

Credit risk in relation to business trading activities arises from the possibility that counterparties may not be able to settle obligations to the BHP Steel Group within the normal terms of trade. To manage this risk, the BHP Steel Group periodically assesses the financial viability of its counterparties.

Credit risk represents the risk of counterparties defaulting on their contractual obligations and is managed by the application of credit approvals, limits and monitoring procedures.

The extent of the BHP Steel Group's combined trade and financial counterparty credit risk exposure is represented by the aggregate of amounts receivable, reduced by the effects of any netting arrangements with financial institution counterparties.

These risks are categorised under the following headings:

Counterparties
The BHP Steel Group conducts transactions with the following major types of counterparties.

- Receivables counterparties

Note 32. Financial instruments (continued)

Sales to BHP Steel Group customers are made either on open terms or subject to independent payment guarantees. The BHP Steel Group has a significant concentration of credit risk with three major customers, being Smorgon Steel Ltd group, Onesteel Ltd and the Amatek Group. These entities are all major customers of the BHP Steel Group in Australia and credit risk with these businesses is managed on an active and on-going basis, using both quantitative and qualitative evaluation.

- Payment guarantee counterparties

These counterparties are comprised of prime financial institutions. Under payment guarantee arrangements, the BHP Steel Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

- Financial markets counterparties

These counterparties consist of a number of prime financial institutions in the relevant markets. The BHP Steel Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

The BHP Steel Group generally does not require collateral in relation to the settlement of financial instruments.

Geographic
The BHP Steel Group trades in several major geographic regions and where appropriate export finance insurance and other risk mitigation facilities are utilised to ensure settlement. Regions in which the BHP Steel Group has a significant credit exposure are Australia, the US, and others including China, South-East Asia and New Zealand.

Terms of trade are continually monitored by the BHP Steel Group.

Selective receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and the Australian Export Finance and Insurance Corporation.

Industry
The BHP Steel Group trades in the building and construction, automotive and transport, manufacturing and packaging industries.

Price Risk

Portfolio approach
The BHP Steel Group manages its exposure to price risk, including interest rates, exchange rates and commodity prices through a set of policies, procedures and limits approved by the Board.

The BHP Steel Group takes a portfolio approach to market price risk management. Hedging of market price risks is not undertaken as a normal activity due to the inherent limitations in being able to reduce volatility in earnings and cashflow. The primary limitation is that the group's most significant market price risk is international steel prices, particularly Hot Rolled Coil and Slab. The current absence of a derivative market for steel prices means that any hedging programme for other price risks would be largely ineffective in reducing cashflow at risk as the primary driver of casflows would remain unhedged.

Interest Rate Risk
The BHP Steel Group is exposed to interest rate risk on its outstanding interest bearing liabilities and investments. Interest rate risk is managed as part of the BHP Steel Group price risk management strategy.

Foreign Exchange Risk - Interest Bearing Liabilities
In addition to transactional exposures related to sales and purchases, the BHP Steel Group has interest bearing liabilities denominated in foreign currencies. The BHP Steel group has a partial natural hedge between net foreign assets and interest bearing liabilities in certain currencies.

Note 32. Financial instruments (continued)

Forward exchange contracts

The BHP Steel group is exposed to exchange rate transaction risk on foreign currency sales and purchases. The most significant exchange rate risk is the anticipated US dollar receipts of Australian-based entities. Foreign exchange risk is managed as part of the BHP Steel Group price risk management strategy.

The BHP Steel Group has unmatured forward exchange contracts of US$7 million sold and NZ$17.5 million bought at an average rate of 0.4000. These contracts are used to hedge future export receipts. The maturity of these contracts is from July 2003 to May 2004, comprising seven forward contracts of US$1 million each. These contracts have a market to market value of A$4.6 million. This amount has been taken up as an asset in the financial statements.

(a) Credit risk exposures

Commodity price risk

The BHP Steel Group is exposed to price risk on steel that it produces and on the commodities that it utilises in its production processes. Commodity price risk is managed as part of the BHP Steel Group price risk management strategy.

There is no physical or derivative market for trading of steel that would provide an appropriate mechanism for undertaking hedging of steel prices.

There were no outstanding commodity hedge contracts as at 30 June 2003.

(b) Interest rate risk exposures

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table. For interest rates applicable to each class of asset or liability refer to individual notes to the financial statements.

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the consolidated entity intends to hold fixed rate assets and liabilities to maturity.

Note 32. Financial instruments (continued)

2003	Notes	Weighted average interest rate %	Floating interest rate $m	1 year or less $m	Over 1 to 5 years $m	Fixed interest maturing in more than 5 years $m	Non interest bearing $m	Total $m
Financial assets								
Cash and deposits	6	3.5	91.0	-	-	-	-	91.0
Investments - term deposits	9	2.5	4.1	-	-	-	-	4.1
Loan to joint venture partnership	13	2.8	21.0	-	-	-	-	21.0
Other financial assets - investments	14		-	-	-	-	4.5	4.5
External receivables	7,11		-	-	-	-	650.4	650.4
			116.1	-	-	-	654.9	771.0
Financial liabilities								
Trade and other creditors	19		-	-	-	-	493.0	493.0
Bank Loans	20,24	5.4	135.3	-	-	-	-	135.3
Other external loans	24	6.5	-	-	-	32.6	-	32.6
Interest rate swaps*			(52.7)	27.5	25.2	-	-	-
			82.6	27.5	25.2	32.6	493.0	660.9
Net financial assets (liabilities)			33.5	(27.5)	(25.2)	(32.6)	161.9	110.1

* Notional principal amounts

Note 32. Financial instruments (continued)

2002	Notes	Weighted average interest rate %	Floating interest rate $m	1 year or less $m	Over 1 to 5 years $m	Fixed interest maturing in more than 5 years $m	Non interest bearing $m	Total $m
Financial assets								
Cash and deposits	6	2.4	98.7	-	-	-	-	98.7
Investments - term deposits	9	3.6	2.2	-	-	-	-	2.2
Loan to joint venture partnership	13	3.4	60.0	-	-	-	-	60.0
Related party receivables	7	3.4	1,837.8	-	-	-	1.7	1,839.5
External receivables	7,11		-	-	-	-	285.6	285.6
Other financial assets - investments	14		-	-	-	-	0.2	0.2
			1,998.7	-	-	-	287.5	2,286.2
Financial liabilities								
Trade and other creditors	19		-	-	-	-	351.2	351.2
Bank loans	20,24	3.8	127.4	-	-	-	-	127.4
Other external loans	24	6.4	-	-	-	38.3	-	38.3
Related party loans	20	7.6	2,208.4	-	-	-	-	2,208.4
Interest rate swaps*			(89.1)	27.1	62.0	-	-	-
			2,246.7	27.1	62.0	38.3	351.2	2,725.3
Net financial assets (liabilities)			(248.0)	(27.1)	(62.0)	(38.3)	(63.7)	(439.1)

* Notional principal amounts

(c) Net fair value of financial assets and liabilities

(i) **On-balance sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the consolidated entity approximates their carrying amounts.

The net fair value of other monetary financial assets and financial liabilities is based upon market prices where a market exists or by discounting the expected future cash flows by the current interest rates for assets and liabilities with similar risk profiles.

For non-traded equity investments, the net fair value is deemed to be its carrying value. Non-traded equity investments are carried at the lower of cost or net realisable value.

(ii) **Off-balance sheet**

The net fair value of financial assets or financial liabilities arising from interest rate swap agreements has been determined as the present value of the estimated future cash flows. The net fair value has not been recognised as an asset or liability, in accordance with the company's accounting policy outlined in note 1 (r).

Note 32. Financial instruments (continued)

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2003 Carrying amount $m	**2003** Net fair value $m	2002 Carrying amount $m	2002 Net fair value $m
On-balance financial instruments				
Financial assets				
Cash	**83.1**	**83.1**	81.1	81.1
Deposits	**12.0**	**12.0**	19.8	19.8
Trade debtors	**511.4**	**511.4**	243.8	243.8
Other debtors	**139.0**	**139.0**	43.5	43.5
Loans to related parties	**-**	**-**	1,837.8	1,837.8
Equity accounted investment	**151.6**	**151.6**	146.3	146.3
Shares in other corporations	**4.5**	**4.5**	0.2	0.2
Non-traded financial assets	**901.6**	**901.6**	2,372.5	2,372.5
Financial liabilities				
Trade creditors	**352.3**	**352.3**	231.0	231.0
Other creditors	**140.7**	**140.7**	120.2	120.2
Bank loans	**135.3**	**135.3**	127.4	127.4
Other external loans	**32.6**	**36.7**	38.3	43.3
Related party loans	**-**	**-**	2,208.4	2,208.4
Non-traded financial liabilities	**660.9**	**665.0**	2,725.3	2,730.3
Off-balance sheet financial instruments				
Financial assets				
Interest rate swaps	**-**	**2.3**	-	5.8

Note 33. Remuneration of directors

	Directors of entities in the consolidated entity		Directors of parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
Income paid or payable, or otherwise made available, to directors by entities in the consolidated entity and related parties in connection with the management of affairs of the parent entity or its controlled entities				
Directors' remuneration (a)	**15,977**	17,641	**4,373**	3,745

(a) Remuneration for 2003 includes incentives payable to Executive Directors based on the achievement of business performance targets and individual performance for the year ended 30 June 2003. Non-executive Directors are not entitled to any form of performance-related remuneration.

The number of directors of the parent entity whose total income (including superannuation contributions) from the parent entity or related parties was within the following specified bands:

$		$	**2003**	2002
0	-	9,999	**1**	-
10,000	-	19,999	**-**	4
20,000	-	29,999	**-**	1
40,000	-	49,999	**-**	1
100,000	-	109,999	**1**	-
110,000	-	119,999	**3**	-
150,000	-	159,999	**1**	-
220,000	-	229,999	**-**	1
300,000	-	309,999	**1**	-
350,000	-	359,999	**-**	1
380,000	-	389,999	**-**	1
400,000	-	409,999	**-**	1
420,000	-	429,999	**-**	2
520,000	-	529,999	**-**	1
870,000	-	879,999	**-**	1
3,440,000	-	3,449,999	**1**	-

Note 34. Remuneration of executives

	Senior executive officers of the consolidated entity	Senior executive officers of the parent entity
	2003	**2003**
	$000	**$000**
Remuneration received, or due and receivable, from entities in the consolidated entity and related parties by Australian based senior executive officers (including executive directors) whose remuneration was at least $100,000:		
Senior executive officers*	**16,076**	**16,076**

The number of Australian based senior executive officers (including directors) whose remuneration from entities in the consolidated entity and related parties was within the following bands:

$		$	Senior executive officers **2003**
260,000	-	269,999	**1**
290,000	-	299,999	**1**
310,000	-	319,999	**1**
320,000	-	329,999	**1**
330,000	-	339,999	**1**
350,000	-	359,999	**3**
360,000	-	369,999	**2**
390,000	-	399,999	**1**
410,000	-	419,999	**1**
440,000	-	449,999	**1**
450,000	-	459,999	**1**
500,000	-	509,999	**2**
510,000	-	519,999	**1**
550,000	-	559,999	**1**
560,000	-	569,999	**1**
620,000	-	629,999	**1**
630,000	-	639,999	**1**
680,000	-	689,999	**1**
780,000	-	789,999	**1**
980,000	-	989,999	**1**
1,080,000	-	1,089,999	**1**
1,150,000	-	1,159,999	**1**
3,440,000	-	3,449,999	**1**

* A senior executive officer is defined as a person directly accountable and responsible for the strategic direction and operational managment of the BHP Steel Group.

Note 34. Remuneration of executives (continued)

Share rights granted to directors and the most highly remunerated officers

Prior to 30 June 2002 BHP Steel Limited senior officers participated in various BHP Billiton Group incentive plans. Upon separation, BHP Steel Limited implemented its own performance based senior officers' plan incorporating the granting of share rights.

The following share rights have been granted.

(a) July 2002 Award

Nominated senior officers were awarded Share Rights (SR's) in BHP Steel Limited in lieu of the awards that would otherwise have been made under BHP Billiton Limited's Long Term Incentive Plans in October 2001. A share right is a right to acquire an ordinary share in BHP Steel Limited at a later date, subject to the satisfaction of certain performance criteria.

Performance Period
Under the July Award there are two potential performance periods. The first performance period commenced on 15 July 2002 and ends on 30 September 2004. The BHP Steel Board will determine whether there will be a second performance period. If such a determination is made the second performance period will commence on 15 July 2002 and end on 30 September 2005.

Vesting
The proportion of SR's that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ("TSR"), relative to the TSR of the companies in the ASX 100. The TSR performance hurdle, and percentages of SR's that become exercisable on meeting the performance hurdle is as follows:

TSR Performance Hurdle	First Performance Period % of Share Rights that Vest	Second Performance Period % of Share Rights that Vest
80th - 100th percentile	100%	50%
70th - <80th percentile	90%	50%
60th - <70th percentile	70%	50%
50th - <60th percentile	50%	50%
<50th percentile	50% of SR's awarded will lapse and 50% will be carried over to a second performance period at the Board's discretion	None - all unvested SR's will lapse immediately

Exercise Price
The exercise price established for the Market Priced Share Rights was based on the volume weighted average price of the BHP Steel Limited shares sold under the sale facility and BHP steel shares on the ASX during the first five trading days. Selected senior offciers received SR's with a nil exercise price.

Note 34. Remuneration of executives (continued)

Details of the July 2002 Award

	Market Price Share Rights	Nil Priced Share Rights
Grant Date	25 July 2002	25 July 2002
Exercise Date	From 30 September 2004	From 30 September 2004
Latest Expiry Date	25 July 2007	31 March 2006
Share Rights Granted	14,335,000	2,800,300
Number of Participants at grant date	105	12
Number of current participants	99	11
Exercise Price	$2.85	Nil
Fair Value Estimate at Grant Date (1)	$5,734,000	$3,276,351
Share Rights lapsed since grant date	840,000	194,900

(1) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock 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. Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants have been expensed they would be amortised over the vesting period resulting in an estimated increase in employee benefits expense of $3.8 million for the 2003 financial year. Note that no adjustments to these amounts have been made to reflect actual forfeiture of shares.

(b) September 2002 Plan

Senior officers were awarded Share Rights (SR's) over ordinary shares in BHP Steel Limited. These SR's are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period
The performance period commenced on 1 October 2002 and ends on 30 September 2005.

Vesting
The proportion of SR's that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ("TSR"), relative to the TSR of the companies in the ASX 100. The TSR performance hurdle, and percentages of SR's that become exercisable on meeting the performance hurdle is as follows:

TSR Performance Hurdle	% of Share Rights that Vest
80th - 100th percentile	100%
70th - <80th percentile	90%
60th - <70th percentile	70%
51st - <60th percentile	50%
<51st percentile	None - all unvested SR's will lapse immediately

Exercise Price
The exercise price for all SR's in the September award are Nil.

Restriction on sale of Shares
Shares acquired under this award cannot be sold by the executive prior to 30 September 2007. Furthermore, any executives who resign during the two year holding period forfeit any shares acquired under this award.

Note 34. Remuneration of executives (continued)

Details of the September 2002 Award

Grant Date	30 September 2002
Exercise Date	From 1 October 2005
Expiry Date	30 September 2006
Share Rights Granted	4,645,100
Number of Participants at grant date	118
Number of current participants	116
Exercise Price	Nil
Fair Value Estimate at Grant Date (1)	$4,552,198
Share Rights lapsed since grant date	57,000

(1) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive Share Rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock 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. Currently, these fair values are not recognised as expenses in the financial statements. However, should these grants have been expensed they would be amortised over the vesting period resulting in an estimated increase in employee benefits expense of $1.1 million for the 2003 financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

Note 35. Remuneration of auditors

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$'000	$'000	**$'000**	$'000
During the year, the auditor of the parent entity and its related practices earned the following remuneration:				
Ernst & Young - Australian firm				
Audit or review of financial reports of the entity or any entity in the consolidated entity	**1,247**	361	**961**	361
Other services (Ernst & Young) (1)	**337**	960	**337**	460
Total audit and other services	**1,584**	1,321	**1,298**	821
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)				
Audit or review of financial reports of the entity or any entity in the consolidated entity	**454**	304	**-**	-
Other services	**188**	1	**-**	-
Total audit and other services	**642**	305	**-**	-
Remuneration of auditors other than Ernst & Young of controlled entities for the audit or review of financial reports of any entity in the consolidated entity	**100**	155	**-**	-

The firms of Ernst & Young and Arthur Andersen integrated in Australia effective 27 May 2002. Prior to this date, Arthur Andersen were the auditors of the BHP Steel group.

(1) The $960,000 for other services in 2002 relates to services provided by Ernst & Young prior to the integration with Arthur Andersen on 27 May 2002 and prior to Ernst & Young's appointment as auditor .

Note 36. Contingent liabilities

Contingent Liabilities

Details and estimates of maximum amounts of contingent liabilities are as follows:

Outstanding Legal Matters

	Consolidated		Parent entity	
	2003 **$m**	2002 $m	**2003** **$m**	2002 $m
Other persons:				
Unsecured	**2.0**	1.6	**0.8**	0.6

Guarantees
BHP Steel Limited has given $118.9 million in guarantees to various state worker's compensation authorities as a pre-requisite for self insurance. Of this amount, a total of $90.8 million has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

Superannuation
The defined benefit divisions of the BHP Steel Superannuation Fund and the New Zealand Steel Pension Fund have a combined deficiency of the present value of accrued benefits over the net market of value of assets totalling $70.5 million (refer note 38). This deficiency represents potential additional contributions the company may make in the future.

For contingent liabilities relating to joint ventures refer to note 41.

Note 37. Commitments for expenditure

	Consolidated		Parent entity	
	2003 **$m**	2002 $m	**2003** **$m**	2002 $m
Capital commitments				
Commitments for the acquisition of plant and equipment contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**10.3**	15.0	**2.5**	15.0
	10.3	15.0	**2.5**	15.0
Operating lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**79.5**	9.9	**6.8**	5.5
Later than one year but not later than 5 years	**184.8**	17.8	**24.8**	8.6
Later than 5 years	**55.9**	8.6	**4.7**	2.2
	320.2	36.3	**36.3**	16.3
Other commitments				
Commitments for the cost of various goods and services supplied to the company but not recognised as liabilities, payable:				
Within one year	**137.3**	2.4	**3.1**	2.4
Later than one year but not later than 5 years	**468.0**	8.4	**8.5**	8.4
Later than 5 years	**118.0**	-	**-**	-
	723.3	10.8	**11.6**	10.8

Note 37. Commitments for expenditure (continued)

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m

For contingent liabilities relating to joint ventures refer to note 41.

Note 38. Employee entitlements

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Employee entitlement liabilities				
Provision for employee entitlements				
Current (note 22)	**198.7**	58.8	**87.1**	53.6
Non-current (note 26)	**210.6**	49.6	**49.2**	46.5
Aggregate employee entitlement liability	**409.3**	108.4	**136.3**	100.1

	Number		**Number**	
Employee numbers				
Average number of employees during the financial year	**11,861**	6,045	**3,911**	3,983

Superannuation benefits

All employees of the consolidated entity are entitled to benefits on resignation, retirement, death or disablement. Australian employees are members of either the BHP Steel Superannuation Fund or an industry superannuation fund, the Superannuation Trust of Australia ("STA"). New Zealand employees are members of either the New Zealand Steel Pension Fund or the Tower Retirement Savings Plan ("TRS"). BHP Steel also makes superannuation contributions to defined contribution funds in respect of the entity's employees located in other countries.

STA and TRS provide accumulation style benefits. The BHP Steel Superannuation Fund and the New Zealand Steel Pension Fund provide defined lump sum benefits based on years of service and final average salary.

Formal actuarial assessments of the two 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 BHP Steel Superannuation Fund as at 1 July 2002 (the date it was established) and of the New Zealand Steel Pension Fund as at 31 March 2003. The actuary of the BHP Steel Superannuation Fund performed a summary assessment of the Fund as at 30 June 2003 for disclosure in these financial statements.

Information relating to these two defined benefit funds based on the latest actuarial assessments is set out below.

Note 38. Employee entitlements (continued)

Defined Benefit Funds to which BHP Steel entity employees belong

2003	**BHP Steel Superannuation Fund $m**	**New Zealand Steel Pension Fund $m**	**Aggregate $m**
Present value of employees' accrued benefits	1,011.5	155.4	1,166.9
Net market value of assets held by the Fund to meet future benefit payment	980.9	115.5	1,096.4
Excess of the present value of employees' accrued benefits over assets held to meet future benefit payments	30.6	39.9	70.5
Vested benefits	1,011.1	151.6	1,162.7
Employer contributions to the Fund	102.1	12.1	114.2

The above amounts were measured as at 30 June 2003 for the BHP Steel Superannuation Fund and 31 March 2003 for the New Zealand Steel Pension Fund, or in the case of employer contributions they relate to the year ended 30 June 2003. The net market value of assets of the BHP Steel Superannuation Fund is an estimate as the Fund's accounts had not been finalised. The New Zealand Steel Pension Fund's net market value of assets represents the balance as at 30 June 2003.

No comparative information is provided in respect of the year ended 30 June 2002 as the BHP Steel Fund was not established until 1 July 2002 and the acquisition of New Zealand Steel occurred on 3 July 2002.

Vested benefits are benefits which are not conditional upon continued membership of the Fund (or any factor other than resignation from the Fund) and include benefits which members were entitled to receive had they terminated their Fund membership as at the reporting date.

The company meets regularly with the trustees of both funds to review the actions being taken to recover the deficiencies in the funds identified above (refer note 36).

Note 39. Related parties

Remuneration and retirement benefits
Information on remuneration and retirement benefits of directors are disclosed in note 33.

Other transactions with directors and director-related entities
Control or significant influence by directors of BHP Steel Limited over other entities has been disclosed for all director-related entities. All transactions between director-related entities have been on commercial arms-length terms and conditions.

Mr Graham Kraehe is a non-executive director of Brambles Limited, a supplier of transport services and equipment to the company. Total charges to the BHP Steel Group by Brambles Limited for the twelve months ended 30 June 2003 was $42,619,847.

Mr Graham Kraehe is a non-executive director of National Australia Bank, a supplier of banking services and funding facilities. National Australia Bank forms part of a consortium of eleven banks providing funding to the BHP Steel Group. Decisions required by the consortium are by majority (as a minimum), and as such is not disclosed as a related party transaction. Other net interest and banking service fees charged to the BHP Steel Group by National Australia Bank for the twelve months ended 30 June 2003 was $184,100.

Mr Kevin McCann is a partner of Allens Arthur Robinson, a national law firm. Allens Arthur Robinson is one of a number of legal firms that provide legal services to the company on normal commercial terms and conditions. Total fees charged to the BHP Steel Group by Allens Arthur Robinson for the twelve months ended 30 June 2003 was $839,148.

Mr Paul Rizzo is a member of the advisory board of Mallesons Stephen Jacques, a national law firm. Mallesons Stephen Jacques is one of a number of legal firms that provide legal services to the company on normal commercial terms and conditions. Total fees charged to the BHP Steel Group by Mallesons Stephen Jacques for the twelve months ended 30 June 2003 was $699,746.

Related parties
Aggregate amounts included in the determination of profit from ordinary activities before income tax that resulted from transactions with each class of related party:

	Consolidated		Parent entity	
	2003 $m	2002 $m	**2003 $m**	2002 $m
Interest revenue				
Commonly controlled entities	**-**	6.6	**29.4**	0.3
Associates	**1.0**	-	**-**	-
Dividend revenue				
Controlled entities	**-**	-	**44.6**	5.1
Management fee revenue				
Commonly controlled entities	**-**	14.4	**1.1**	14.4
Other revenue				
Controlled entities	**-**	-	**0.4**	-
Interest expense				
Commonly controlled entities	**-**	40.8	**-**	40.2
Management fees expense				
Commonly controlled entities	**-**	12.9	**-**	12.3

Note 39. Related parties (continued)

Aggregate amounts brought to account in relation to other transactions with each class of other related parties:

	Consolidated		Parent entity	
	2003 $m	2002 $m	**2003 $m**	2002 $m
Net loan repayments/(loans made) from/(to)				
Commonly controlled entities	**(1,797.2)**	166.0	**(782.7)**	59.4
Associates	**35.6**	-	**-**	-
Purchase of controlled entity investments from BHP Billiton Limited Group (refer note 40)	**1,197.2**	105.9	**1,197.2**	105.9
Capital injection by BHP Billiton Limited Group (refer note 27)	**2,045.4**	49.5	**2,045.4**	49.5

All related party transactions are made under normal commercial terms and conditions.

Aggregate amounts receivable from, and payable to, each class of other related parties at balance date:

	Consolidated		Parent entity	
	2003 $m	2002 $m	**2003 $m**	2002 $m
Current receivables				
Commonly controlled entities	**-**	1,839.5	**-**	1,820.6
Associates (refer note 13)	**21.0**	60.1	**-**	-
Current liabilities				
Commonly controlled entities	**-**	2,329.1	**-**	123.2

Ownership interests in related parties
Interests held in the following classes of related parties are set out in the following notes:
(a) controlled entities - note 40
(b) joint venture partnership - note 41.

Note 40. Investments in controlled entities

Name of entity	Country of incorporation	Equity holding 2003 %	2002 %
BHP Steel Asia Holdings Pty Ltd (c)	Australia	100	-
BHP Steel Employee Share Plan Pty Ltd (c)	Australia	100	-
BHP Steel (AIS) Pty Ltd (e)	Australia	100	-
Glenbrook Holdings Pty Ltd (e)	Australia	100	-
Alliances Pty Ltd (c)	Australia	100	-
BHP Steel Finance Ltd	Australia	100	100
BHP Steel Logistics Co Pty Ltd	Australia	100	100
Amari Wolff Steel Pty Ltd	Australia	100	100
New Zealand Steel (Aust) Pty Ltd	Australia	100	100
Australian Iron & Steel Pty Ltd	Australia	100	100
John Lysaght (Australia) Pty Ltd	Australia	100	100
BHP Steel Middle East Investments Pty Ltd	Australia	100	100
BHP Steel Lysaght Sdn Bhd	Brunei	60	60
Endeavour Industries Ltd	British Virgin Islands	100	100
BHP Steel Lysaght (Guangzhou) Ltd*	China	100	100
BHP Steel Lysaght (Shanghai) Ltd*	China	100	100
BHP Steel Trading (Shanghai) Co Ltd*	China	100	100
BHP Steel Lysaght (Langfang) (c)	China	100	-
BHP Steel Lysaght (Chengdu) (c)	China	100	-
BHP Steel Lysaght Fiji	Fiji	64	64
BHP Steel Building Products (Hong Kong)*	Hong Kong	100	100
BHP Lysaght (Hong Kong) Ltd*	Hong Kong	100	100
BHP Steel N Asia Ltd	Hong Kong	100	100
BHP Steel India Private Ltd	India	100	100
PT BHP Steel Indonesia (d)	Indonesia	100	74
PT BHP Steel Lysaght Indonesia	Indonesia	100	100
PT BRC Lysaght Distribution	Indonesia	80	80
BHP Information Technology (Malaysia) Sdn Bhd	Malaysia	100	100
BHP Engineering (Malaysia) Sdn Bhd	Malaysia	100	100
BHP Steel (Malaysia) Sdn Bhd	Malaysia	60	60
BHP Steel Lysaght (Malaysia) Sdn Bhd	Malaysia	60	60
BHP Steel Lysaght (Sabah) Sdn Bhd (a)	Malaysia	49	49
BHP Steel Asia Sdn Bhd	Malaysia	100	100
BHP Steel Lysaght New Caledonia SA	New Caledonia	65	65
BHP Steel Consulting Services NZ Ltd (e)	New Zealand	100	-
Tasman Steel Holdings Ltd (e)	New Zealand	100	-
New Zealand Steel Holdings Ltd (e)	New Zealand	100	-
New Zealand Steel Ltd (e)	New Zealand	100	-
Glenbrook Representatitives Ltd (e	New Zealand	100	-
New Zealand Steel Development Ltd (e)	New Zealand	100	-
Toward Industries Ltd (e)	New Zealand	100	-
Steltech Structural Ltd (e)	New Zealand	100	-
BHP Steel Trading NZ Ltd (e)	New Zealand	100	-
New Zealand Steel Mining Ltd (e)	New Zealand	100	-
BHP Steel International Holdings SA	Panama	100	100
NPAH Holdings Ltd	PNG	100	100
BHP Lysaght Rabaul Ltd	PNG	100	100
Titan Properties Ltd	PNG	100	100

Note 40. Investments in controlled entities (continued)

Name of entity	Country of incorporation	Equity holding 2003 %	2002 %
BHP Steel Lysaght Singapore Pte Ltd	Singapore	100	100
BHP Steel Asia Pte Ltd	Singapore	100	100
Steelcap Insurance Pte Ltd	Singapore	100	100
BHP Steel Southern Africa Pty Ltd*	South Africa	100	100
BHP Steel Lysaght Lanka (Pvt) Ltd*	Sri Lanka	82	82
BHP Steel Lysaght Taiwan Ltd*	Taiwan	80	80
BHP Steel (Thailand) Ltd	Thailand	75	75
Steel Holdings Co Ltd	Thailand	100	100
BHP Steel Lysaght (Thailand) Ltd	Thailand	75	75
BHP Steel International Ltd	UK	100	100
BIEC International Inc	USA	100	100
BHP Steel Technology lnc	USA	100	100
BHP Steel Americas LLC	USA	100	100
BHP Steel Investments lnc	USA	100	100
BHP Steel Building Products (Vanuatu) Ltd (b)	Vanuatu	39	39
BHP Steel Lysaght (Vietnam) Ltd	Vietnam	100	100

* These controlled entities are audited by firms other than Ernst & Young.

(a) The BHP Steel Group holds an ownership interest of 49% in BHP Steel Building Products (Sabah) Sdn Bhd, which is classified as a controlled entity pursuant to Australian Accounting Standard AASB 1024: Consolidated Accounts because the BHP Steel Group can exercise voting control.

(b) The BHP Steel Group's ownership of the ordinary share capital in this entity represents a beneficial interest of 39% represented by its 65% ownership in BHP Steel Building Products New Caledonia SA, which in turn has 60% ownership of this entity.

(c) These entities were incorporated during the year.

(d) In January 2003, the 26% outside equity interest in PT BHP Steel Indonesia was acquired for $10 million. The goodwill arising from this purchase totalled $1.7 million.

(e) In July 2002, BHP Steel Limited was demerged from the BHP Billiton Group. In preparing for this demerger a number of steel legal entities which were owned by the BHP Billiton group were acquired by BHP Steel Limited prior to 30 June 2002. The operating results of these newly acquired controlled entities have been included in the consolidated statement of financial performance since the respective acquisition dates.

On 3 July 2002, the following legal entities were acquired as part of the acquisition of the AIS group from the BHP Billiton group: BHP Steel (AIS) Pty Ltd, Glenbrook Holdings Pty Ltd, Alliances Pty Ltd, BHP Steel Consulting Services NZ Ltd, Tasman Steel Holdings Ltd, New Zealand Steel Holdings Ltd, New Zealand Steel Ltd, Glenbrook Representatitives Ltd, New Zealand Steel Development Ltd, Toward Industries Ltd, Steltech Structural Ltd, BHP Steel Trading NZ Ltd, New Zealand Steel Mining Ltd. Details of the entities acquired are as follows:-

Note 40. Investments in controlled entities (continued)

	$m
Fair value of identifiable net assets of the controlled entities acquired	
Plant and equipment	**2,157.5**
External receivables	**277.3**
Inventories	**397.0**
Cash	**56.1**
Other financial assets	**4.3**
Other assets	**29.1**
External payables	**(284.9)**
Deferred tax liability	**(309.2)**
Other provisions	**(231.5)**
Net related party loans	**(1,323.5)**
Cash consideration	**772.2**

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Outflow of cash to acquire controlled entity, net of cash acquired				
Cash consideration	**1,197.2**	105.9	**1,197.2**	105.9
Less: Balances acquired				
Cash	**56.1**	38.9	**-**	-
Deposit*	**425.0**	-	**-**	-
Outflow of cash	**716.1**	67.0	**1,197.2**	105.9

Disposal of controlled entity

* New Zealand Steel Ltd held a deposit for A$425 million which had a right of set off with a loan facility held with BHP Billiton Limited. Following the BHP Steel Group separation, the deposit has a right of set off with a loan from the ANZ Banking Group held by BHP Steel Finance Ltd. The deposit can only be applied for other purposes if the loan is reduced by an equal amount. Neither the loan nor the deposit are reflected in the consolidated statement of financial position.

Note 41. Interests in joint ventures

Joint venture partnership
The parent entity has a 50% interest in North Star BHP Steel, the principal activity of which is the manufacturing of steel. The 50% interest was legally acquired from the BHP Billiton Group on 30 June 2002 through the acquisition of BHP Steel Investments Inc. in preparation for the demerging of the BHP Steel Group from the BHP Billiton Group in July 2002. Information relating to the joint venture partnership, presented in accordance with the accounting policy described in note 1(p), is set out below.

	Consolidated	
	2003	2002
	$m	$m
Movement in carrying amount of investment in partnership		
Carrying amount at the beginning of the financial year	**86.3**	-
Share of profit from ordinary activities after tax	**69.2**	-
Acquisition of partnership interest	**-**	86.3
Currency fluctuation	**(24.9)**	-
Carrying amount at the end of the financial year	**130.6**	86.3
Share of partnership's revenue, expenses and results		
Revenues	**464.1**	**-**
Expenses	**394.9**	**-**
Profit from ordinary activities before income tax	**69.2**	**-**
Retained profits attributable to the partnership at the end of the financial year	**69.2**	**-**
Share of partnership's assets and liabilities		
Current assets	**80.4**	112.5
Non-current assets	**240.3**	308.2
Total assets	**320.7**	420.7
Current liabilities	**115.8**	158.9
Non-current liabilities	**74.3**	175.5
Total liabilities	**190.1**	334.4
Net assets	**130.6**	86.3
Share of partnership's commitments		
Other commitments - information technology contract	**7.2**	-
Other commitments - long term utility supply contracts	**12.6**	19.1
Total expenditure commitments	**19.8**	19.1

Contingent liabilities
North Star BHP Steel has various borrowings denominated in US dollars with the major facilities being fully amortising term loans. Of these loans, 50% are held by the ANZ Banking group ("ANZ"). ANZ can put these loans back to BHP Steel in the event of default by North Star BHP Steel. At 30 June 2003, BHP Steel's share of the North Star BHP Steel borrowings amounted to $97.0 million (2002: $184.2 million).

Reporting date
North Star BHP Steel has a 31 May reporting date.

Note 42. Reconciliation of profit/(loss) from ordinary activities after income tax to net cash inflow from operating activities

	Consolidated		Parent entity	
	2003	2002	**2003**	2002
	$m	$m	**$m**	$m
Profit from ordinary activities after income tax	**472.7**	3.8	**97.3**	(16.8)
Depreciation and amortisation	**270.1**	77.2	**61.5**	58.3
Write down of other assets to recoverable amount	**-**	10.2	**-**	10.2
Write down of investments to recoverable amount	**12.6**	0.4	**6.7**	-
Capitalised borrowing costs	**(4.4)**	-	**-**	-
Net (gain) loss on sale of non-current assets	**(4.5)**	(0.1)	**(4.3)**	(0.1)
Share of profits of associates and joint venture partnership not received as dividends or distributions	**(69.2)**	-	**-**	-
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	**(22.8)**	37.0	**(23.8)**	16.5
Decrease (increase) in other debtors	**(76.1)**	2.1	**(7.9)**	1.6
Decrease (increase) in inventories	**(41.6)**	60.2	**(36.6)**	14.7
Decrease (increase) in other operating assets	**(1.9)**	(3.5)	**(1.3)**	2.2
(Decrease) increase in trade creditors	**19.9**	(56.1)	**19.4**	(33.4)
(Decrease) increase in other creditors	**(36.3)**	9.3	**(51.6)**	5.1
(Decrease) increase in income taxes payable	**105.6**	(24.7)	**38.7**	(18.2)
(Decrease) increase in deferred taxes	**(14.0)**	(20.7)	**(15.0)**	(9.8)
(Decrease) increase in other provisions and liabilities	**100.1**	28.7	**40.5**	24.8
(Decrease) increase in deferred income	**(1.4)**	-	**-**	-
Other variations	**2.6**	11.0	**(0.2)**	2.1
Net cash inflow from operating activities	**711.4**	134.8	**123.4**	57.2

Note 43. Earnings per share

	Consolidated	
	2003	2002
	Cents	Cents
Basic earnings per share[1]	**57.1**	(16.3)

(1) There is no diluted earnings per share impact from the executive share rights scheme disclosed in note 34 as it is the current intention of the company to satisfy these entitlements by purchasing BHP Steel Limited shares on market.

	Consolidated	
	2003	2002
	Number	Number
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**791,544,061**	63,247,945

	Consolidated	
	2003	2002
	$m	$m
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	**472.7**	3.8
Net profit attributable to outside equity interest	**(21.0)**	(14.1)
Earnings used in calculating basic earnings per share	**451.7**	(10.3)

BHP Steel Limited
Directors' declaration
30 June 2003

The directors declare that the financial statements and notes set out on pages 1 to 51:

(a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
(b) give a true and fair view of the company's and consolidated entity's financial position as at 30 June 2003 and of their performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date.

In the directors' opinion:

(a) the financial statements and notes are in accordance with the Corporations Act 2001; 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.

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

G J Kraehe (sgd.)

G J Kraehe
Chairman

K C Adams (sgd.)

K C Adams
Managing Director & CEO

Melbourne
28 August 2003

Independent audit report to the members of BHP Steel Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for BHP Steel Limited and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company, and that complies with Accounting Standards, in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgment of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*. In addition to our statutory audit work, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Independent audit report to the members of BHP Steel Limited (continued)

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of BHP Steel Limited is in accordance with:

(a) the *Corporations Act 2001* including:

(i) giving a true and fair view of the financial position of BHP Steel Limited and the consolidated entity at 30 June 2003 and of their performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and

(b) other mandatory professional reporting requirements in Australia.

Ernst & Young

A I Beckett
Partner

Melbourne
28 August 2003