BlueScope Steel Limited

ABN 16 000 011 058

Financial report - 30 June 2004

Contents

Explanatory Statement to the Financial Report

BlueScope 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 previous corresponding 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 in the previous corresponding period are not reflective of the underlying BlueScope Steel Group which separated from the BHP Billiton Group. Where necessary these transactions have been highlighted in this report.

On 17 November 2003, the Company changed its name from BHP Steel Limited to BlueScope Steel Limited.

	Notes	Consolidated 2004 $m	Consolidated 2003 $m	Parent entity 2004 $m	Parent entity 2003 $m
Revenue from ordinary activities	3	**5,769.6**	5,302.1	**2,516.3**	2,402.9
Changes in inventories of finished goods and work in progress		**1.7**	36.1	**4.8**	44.7
Raw materials and consumables used		**(2,145.6)**	(2,029.3)	**(1,446.2)**	(1,441.5)
Employee benefits expense		**(1,075.2)**	(1,031.9)	**(390.1)**	(414.8)
Depreciation and amortisation expenses	4	**(286.7)**	(270.1)	**(68.2)**	(61.5)
Diminution in value of non-current assets		**(1.4)**	(12.6)	**-**	(6.7)
External services		**(800.0)**	(734.7)	**(102.5)**	(95.5)
Freight on external dispatches		**(418.7)**	(410.0)	**(178.5)**	(172.5)
Carrying amount of non-current assets sold		**(6.0)**	(4.5)	**(0.7)**	(2.0)
Other expenses from ordinary activities		**(288.7)**	(298.7)	**(132.0)**	(121.9)
Borrowing costs expense	4	**(16.8)**	(22.0)	**-**	-
Shares of net profits of associates and joint venture partnership accounted for using the equity method	40	**71.2**	69.2	**-**	-
Profit from ordinary activities before income tax expense	4	**803.4**	593.6	**202.9**	131.2
Income tax expense	5	**(201.6)**	(120.9)	**(56.8)**	(33.9)
Profit from ordinary activities after income tax expense		**601.8**	472.7	**146.1**	97.3
Net profit attributable to outside equity interest		**(17.7)**	(21.0)	**-**	-
Net profit attributable to members of BlueScope Steel Limited	28(b)	**584.1**	451.7	**146.1**	97.3
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)	**12.7**	(77.9)	**-**	-
Total revenue, expenses and valuation adjustments attributable to members of BlueScope Steel Limited recognised directly in equity		**12.7**	(80.7)	**-**	(1.1)
Total changes in equity other than those resulting from transactions with owners as owners	30	**596.8**	371.0	**146.1**	96.2
		Cents	Cents		
Basic earnings per share	43	**77.8**	57.1		

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

BlueScope Steel Limited
Statements of financial position
As at 30 June 2004

	Notes	Consolidated 2004 $m	Consolidated 2003 $m	Parent entity 2004 $m	Parent entity 2003 $m
Current assets					
Cash assets	6	**119.4**	91.0	**0.2**	1.9
Receivables	7	**989.2**	639.6	**628.1**	906.0
Inventories	8	**891.4**	639.4	**239.8**	233.5
Other financial assets	9	**-**	4.1	**-**	-
Other	10	**43.7**	17.6	**2.7**	3.4
Total current assets		**2,043.7**	1,391.7	**870.8**	1,144.8
Non-current assets					
Receivables	11	**7.1**	10.8	**307.2**	18.7
Inventories	12	**71.1**	58.2	**25.4**	22.6
Investments accounted for using the equity method	13	**236.3**	151.6	**-**	-
Other financial assets	14	**4.6**	4.5	**1,649.5**	1,642.2
Property, plant and equipment	15	**3,288.6**	3,085.6	**722.0**	711.0
Deferred tax assets	16	**58.0**	37.3	**-**	-
Intangible assets	17	**60.1**	4.5	**2.5**	-
Other	18	**12.6**	8.9	**0.8**	1.1
Total non-current assets		**3,738.4**	3,361.4	**2,707.4**	2,395.6
Total assets		**5,782.1**	4,753.1	**3,578.2**	3,540.4
Current liabilities					
Payables	19	**728.3**	493.0	**226.3**	191.4
Interest bearing liabilities	20	**416.0**	101.5	**373.5**	389.0
Current tax liabilities	21	**154.3**	108.0	**148.5**	38.7
Provisions	22	**294.7**	258.7	**92.9**	141.7
Other	23	**92.5**	8.1	**-**	-
Total current liabilities		**1,685.8**	969.3	**841.2**	760.8
Non-current liabilities					
Interest bearing liabilities	24	**176.7**	66.4	**-**	-
Deferred tax liabilities	25	**388.3**	395.1	**370.0**	76.9
Provisions	26	**337.7**	231.2	**80.9**	53.9
Total non-current liabilities		**902.7**	692.7	**450.9**	130.8
Total liabilities		**2,588.5**	1,662.0	**1,292.1**	891.6
Net assets		**3,193.6**	3,091.1	**2,286.1**	2,648.8
Equity					
Parent entity interest					
Contributed equity	27	**1,914.9**	2,182.1	**1,914.9**	2,182.1
Reserves	28(a)	**(77.5)**	(91.2)	**-**	-
Retained profits	28(b)	**1,302.9**	961.4	**371.2**	466.7
Total parent entity interest		**3,140.3**	3,052.3	**2,286.1**	2,648.8
Outside equity interest in controlled entities	29	**53.3**	38.8	**-**	-
Total equity	30	**3,193.6**	3,091.1	**2,286.1**	2,648.8

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

BlueScope Steel Limited
Statements of cash flows
For the year ended 30 June 2004

	Notes	Consolidated		Parent entity	
		2004	2003	**2004**	2003
		$m	$m	**$m**	$m
Cash flows from operating activities					
Receipts from customers		**5,948.3**	5,443.3	**2,605.2**	2,402.5
Payments to suppliers and employees		**(5,099.9)**	(4,695.3)	**(2,463.1)**	(2,348.9)
		848.4	748.0	**142.1**	53.6
Dividends received		**1.0**	1.9	**18.1**	44.6
Interest received		**2.6**	2.3	**20.0**	29.5
Other revenue		**43.3**	15.0	**8.4**	5.9
Borrowing costs		**(15.8)**	(26.6)	**-**	-
Income taxes paid		**(119.4)**	(29.2)	**(53.8)**	(10.2)
Net cash inflow (outflow) from operating activities	42	**760.1**	711.4	**134.8**	123.4
Cash flows from investing activities					
Payment for purchase of controlled entities, net of cash acquired*	39	**(290.0)**	(716.1)	**(17.1)**	(1,197.2)
Payments for property, plant and equipment		**(289.1)**	(183.3)	**(64.0)**	(54.4)
Payments for investments		**(5.5)**	(26.1)	**(4.7)**	(43.5)
Proceeds from sale of property, plant and equipment		**11.8**	8.6	**1.6**	6.2
Proceeds from sale or redemption of investments		**6.5**	-	**11.1**	1.9
Net associate loan receivable repaid (advanced)		**(11.2)**	35.6	**-**	-
Net cash inflow (outflow) from investing activities		**(577.5)**	(881.3)	**(73.1)**	(1,287.0)
Cash flows from financing activities					
Proceeds from issues of shares*		**-**	2,045.4	**-**	2,045.4
Share buyback		**(259.4)**	(25.9)	**(258.0)**	(25.9)
Employee share plan		**(9.2)**	-	**(9.2)**	-
Proceeds from demerger borrowings*		**-**	565.0	**-**	-
Proceeds from other borrowings		**3,469.5**	1,117.1	**-**	-
Net financing of related entities		**-**	-	**445.4**	(2,601.9)
Financing provided by BHP Billiton*		**-**	(1,797.2)	**-**	1,819.2
Repayment of borrowings		**(3,114.0)**	(1,657.0)	**-**	-
Repayment of finance leases		**(0.3)**	-	**-**	-
Dividends paid	31	**(241.6)**	(71.4)	**(241.6)**	(71.4)
Dividends paid to outside equity interests in controlled entities		**(3.0)**	(5.2)	**-**	-
Net cash inflow (outflow) from financing activities		**(158.0)**	170.8	**(63.4)**	1,165.4
Net increase (decrease) in cash held		**24.6**	0.9	**(1.7)**	1.8
Cash at the beginning of the financial year		**91.0**	98.7	**1.9**	0.1
Effects of exchange rate changes on cash		**2.5**	(8.6)	**-**	-
Cash at the end of the financial year	6	**118.1**	91.0	**0.2**	1.9

Financing arrangements	24

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

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

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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 Group 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 prior year consolidated financial statements as a result of the change in AASB 1028 were:
- $4.0 million increase in provision for employee benefits
- $1.2 million increase in deferred taxes
- $2.8 million decrease in opening retained profits.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by BlueScope Steel Limited ('company' or 'parent entity') as at 30 June 2004 and the results of all controlled entities for the year then ended. BlueScope Steel Limited and its controlled entities together are referred to in this financial report as the consolidated entity or the BlueScope 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 associates are accounted for in the consolidated financial statements using the equity method. Under this method, the consolidated entity's share of the post-acquisition profits and losses of associates is recognised in the consolidated statement of financial performance, and its share of post-acquisition movements in reserves is recognised in consolidated reserves. The cumulative post-acquisition movements are adjusted against the cost of the investment. Associates are those entities over which the consolidated entity exercises significant influence, but not control.

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

(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, or in certain cases, to the nearest thousand or the nearest dollar.

(e) International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

The BlueScope Steel Group has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents to IFRS. The company engaged its external auditors, Ernst & Young, to perform a diagnostic to isolate key areas that will be impacted by the transition to IFRS. This assessment has formed the basis of structuring the IFRS conversion project within the company. The release of the Australian equivalents to IFRS has enabled specific information to be gathered on the impact on accounting systems, future results, accounting policies and procedures.

Although the company has not yet quantified the impacts on the financial statements, the transition is currently on schedule. Updates of the company's IFRS implementation plan are provided to the Audit & Risk Committee.

Major changes identified to date that will be required to the company's existing accounting policies include the following:

(i) Employee benefits

Under AASB 119 *Employee Benefits*, employer sponsors are required to recognise the net deficit in employer sponsored defined benefit funds as a liability. This will result in a change in the group's current accounting policy in which a liability is only recognised where a legal obligation exists. The company has defined benefit superannuation plans with deficits in Australia and New Zealand that will require an actuarially determined liability to be recorded. The company also has combined deficits in defined benefit superannuation plans in North America, however due to existing legal obligations relating to these funds, a liability has already been recognised.

The liability to be recognised under AASB 119 would be higher than the deficits disclosed in note 37 to the financial report. AASB 119 requires the deficit to be grossed up for employer contributions tax (Australia 15%, New Zealand 33%) and for the accrued benefits liability to be discounted using a government bond rate. At present, the accrued benefits disclosure is discounted using the expected return on the fund assets which typically is a higher rate than the government bond rate.

(ii) Income tax

Under AASB 112 *Income Taxes,* the company will be required to use the balance sheet liability method. This method focuses on the tax effect of transactions and other events that effect amounts recognised in either the statement of financial position or a tax-based balance sheet. The impact of this requirement on the opening 1 July 2004 balance sheet is not expected to be significant.

Under current Australian Accounting Standards income tax losses can only be brought to account as an asset if they are considered virtually certain of realisation. AASB 112 requires income tax losses to be brought to account as an asset if they are probable of realisation. Probable is defined as more likely than not. The group's unbooked tax losses shown in note 5(b) will be assessed for recognition using the less stringent probable of realisation test.

(iii) Impairment of assets

AASB 136 *Impairment of Assets* determines the recoverable amount of cash generating assets by assessing the higher of fair value less costs to sell or value in use. In determining value in use, future cash flows are to be discounted using a risk adjusted pre tax discount rate. Cash generating units (CGU's) are described as the smallest group of assets that generate cash flows from continuing use that are largely independent.

The BlueScope Steel Group currently assesses the recoverable value of income generating units (IGU's) using future cash flows discounted at a pre tax company-wide discount rate. IGU's are defined as a groups of assets working together to generate cash flows. The concept of CGU's will require certain assets to be assessed for recoverability on a stand alone basis rather than being grouped into an IGU. As a result, an impairment may be identified through the use of a CGU approach compared to an IGU approach.

The risk adjusted discount rate required by AASB 136 requires inclusion of a country risk premium. Therefore, certain BlueScope Steel assets' future cash flows will be discounted at higher rates, increasing the possibility of asset write-downs being taken through the statement of financial performance.

(iv) Share based payments

Under AASB 2 *Share based payments*, the company will be required to recognise an expense in the statement of financial performance for the fair value of share rights granted to employees as remuneration. It applies to all share rights issued after 7 November 2002 which have not vested as at 1 January 2005. BlueScope Steel Limited issues share rights to senior executives in the organisation as part of its remuneration strategy which focuses on performance and accountability and aligning performance-related reward with the value delivered to shareholders. The fair values and other details, including the expense that would otherwise have been recognised, on all outstanding share rights granted by the company are disclosed in note 33 to the financial report.

AASB 2 will only apply in respect to the September 2003 share rights granted and any future grants. The fair value of these grants are to be expensed over the expected vesting period with a corresponding increase in share capital. No tax deduction is allowed for the amount expensed.

In addition, the company announced its intention to award 150 shares at nil cost to approximately 16,000 BlueScope Steel employees in September 2004. Under AASB 2 the fair value of this issue will be required to be expensed in the year ended 30 June 2005, whereas under current Australian Accounting Standards the shares are issued at nil cost and no expense is recognised.

(v) Goodwill

Under AASB 3 *Business Combinations*, goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the group's accounting policy which currently amortises goodwill over its useful life not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. The impact on the company's reported results is not expected to be material given the amount of goodwill currently recorded in the financial statements (refer note 17).

(vi) Classification of financial instruments

Under AASB 139 *Financial Instruments: Recognition and Measurement*, financial assets are only able to be derecognised where an entity transfers substantially all the risks and rewards of ownership of the financial asset. The company's sale of receivable program does not currently meet the requirement of substantially transferring all of the risk and rewards of ownership. As a result, the sale of receivables program will be recorded as a liability rather than an offset against trade debtors (refer note 7).

(vii) Hedge Accounting

Under AASB 139 *Financial Instruments: Recognition and Measurement* in order to achieve a qualifying hedge, the company is required to meet the following criteria:

- Identify the type of hedge;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be effective; and
- Document the hedging relationship.

The impact of this standard is not expected to have a material impact on the financial statements of the company given the low level of hedging activity currently undertaken (refer note 32).

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition of Australian equivalents to IFRS, as not all standards have been analysed in detail, and some decisions have not been made where specific accounting policy elections are available.

(f) 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.

Tax consolidation legislation

BlueScope Steel Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 23 July 2002. The Australian Taxation Office was notified of this decision.

As a consequence, BlueScope Steel Limited, as the head entity in the tax consolidated group, recognises current and deferred tax amounts relating to transactions, events and balances of the controlled entities in this group as if those transactions, events and balances were its own, in addition to the current and deferred tax amounts arising in relation to its own transactions, events and balances. Amounts receivable or payable under a tax sharing agreement with the tax consolidated entities are recognised separately as tax-related amounts receivable or payable. Expenses arising under the tax sharing agreement are recognised as a component of income tax expense.

The deferred tax balances recognised by the parent entity in relation to wholly-owned entities joining the tax consolidation group are measured based on their carrying amounts before the implementation of the tax consolidation regime.

(g) Foreign currencies

The BlueScope 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 BlueScope 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.

(h) 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. This is considered to have occurred when legal title of the product is transferred to the customer and the Company is no longer responsible for the product. The point at which title is transferred is dependent upon the specific terms and conditions of the contract under the sale.

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.

(i) 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(m).

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.

(j) 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.

(k) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.
All non-current assets are reviewed at least bi-annually to determine whether their carrying amounts exceed their recoverable amount. Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount.

Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs. Estimated recoverable amount is determined using expected pre-tax net cash flows discounted for the current year at 14.0% (2003: 15.1%).

(l) Employee benefits

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, long service leave and the Short Term Incentive Scheme (STI).

Liabilities arising in respect of wages and salaries, STI, 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.

(i) Superannuation
BlueScope Steel's policy is to account for superannuation contributions when they are payable. A liability is taken up for deficits in employer sponsored defined benefit superannuation funds when a legal obligation exists.

(ii) Termination benefits
Liabilities for termination benefits, not in connection with the acquisition or the closure of an operation, are recognised when a detailed plan for the terminations has been developed and a valid expectation has been raised in those employees affected that the terminations will be carried out.

Liabilities for termination benefits relating to an acquired entity or operation that arise as a consequence of acquisitions are recognised as at the date of acquisition if, at or before the acquisition date, the main features of the terminations were planned and a valid expectation had been raised in those employees affected that the terminations would be carried out, and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier. These liabilities are disclosed in aggregate with other restructuring costs as a consequence of the acquisition.

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

(iv) Equity-based compensation benefits
Equity-based compensation benefits are provided to senior officers via the Long Term Incentive Plan Award. Information relating to this scheme is set out in note 33.

The amounts disclosed for remuneration of directors and executives in note 33 include the assessed fair values of share rights at the date they were granted.

The value of the Long Term Incentive Plan is not being recognised as an employment expense.

(m) 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, 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.

(n) Property, plant and equipment

Valuation in accounts

Property, plant and equipment has been recorded at cost. The recoverable amounts of property, plant and equipment are determined in accordance with note 1(k).

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

(o) 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.

(p) 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.

(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 estimate 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) Joint ventures

The interest in joint venture partnerships are 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 joint venture partnerships are decreased by the amounts of dividends received or receivable. Details relating to joint venture partnerships are set out in note 40.

(s) Derivative financial instruments

The BlueScope 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 BlueScope 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 contracts 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 BlueScope Steel Group may enter into interest rate swap agreements to convert variable interest rates on borrowings to fixed interest rates. Any swaps entered into have the objective of reducing the risk of movements in interest rates.

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

(t) 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(r).

(u) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, defined as the closure of an operation, not in connection with the acquisition of an entity or operations, are recognised when a detailed plan of the restructuring activity has been developed and implementation of the restructuring program as planned has commenced, by either entering into contracts to undertake the restructuring activities or making a detailed announcement such that affected parties are in no doubt the restructuring program will proceed.

Liabilities for the cost of restructuring entities or operations acquired are recognised as at the date of acquisition of an entity, or part thereof, if the main features of the restructuring were planned and there was a demonstrable commitment to the restructuring at the acquisition date and this is supported by a detailed plan developed within three months of the acquisition or prior to the completion of the financial report, if earlier.

Redundancy costs that are not part of a restructuring program are classified as employee entitlements (refer note 1(l)).

(v) Receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Receivables from related parties are recognised and carried at the nominal amount due. Interest is taken up as income on an accrual basis.

(w) Trade and other creditors

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

Liabilities for related party creditors are carried at principal amount. Interest is recognised as an expense on an accrual basis.

(x) Cash

For purposes of the statement of cash flows, cash includes deposits at call with financial institutions and other highly liquid investments with short periods to maturity which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(y) Earnings per share

(i) Basic earnings per share
Basic earnings per share is determined by dividing the net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
There is no diluted earnings per share impact from the executive share rights scheme disclosed in note 33 as it is the current intention of the company to satisfy these entitlements through the buy back and cancellation of an equivalent number of BlueScope Steel Limited issued shares.

Note 2. Segment information

Business Segments

The consolidated entity has five business reporting segments: Hot Rolled Products, Coated and Building Products Australia (formerly Coated Products Australia), New Zealand Steel, Coated and Building Products Asia (formerly Coated Products Asia) and Coated and Building Products North America.

On 3 July 2002, BlueScope Steel Limited acquired BlueScope Steel (AIS) Pty Ltd from the BHP Billiton Group. The operating assets of BlueScope Steel (AIS) Pty Ltd include Port Kembla Steelworks, Packaging Products, and New Zealand Steel. For accounting purposes, the effective acquisition date was 1 July 2002 and therefore the financial results for the previous corresponding twelve month period to 30 June 2003 reflects a full year's results.

Hot Rolled Products
Hot Rolled Products includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of 5.1 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 and Building Products Australia for further processing, as well as to other domestic and export customers.

The segment also includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini-mill in the United States, and a 47.5% shareholding in Castrip LLC.

Coated and Building Products Australia
Coated and Building Products Australia (formerly 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 and Building 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 and Building Products business comprises two main production facilities at Springhill in New South Wales and Western Port in Victoria together with a network of manufacturing and distribution facilities throughout Australia.

The segment also includes Packaging Products, an 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 and Building Products North America
On 27 April 2004, BlueScope Steel Limited acquired Butler Manufacturing Company, a leading designer and manufacturer of pre-engineered steel building systems for the non-residential market in North America, with six manufacturing plants across the US and Mexico.

Butler has two main North American divisions: the North American Buildings Group, which designs, manufactures and markets pre-engineered steel buildings and component systems; and Vistawall, which manufactures and sells extruded aluminium and glass products for the building and construction sector.

Note 2. Segment information (continued)

Coated and Building Products Asia

Coated and Building Products Asia (formerly 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.

On 27 April 2004, BlueScope Steel Limited acquired the Butler Manufacturing Company, which includes BlueScope Butler China, a business which designs, manufacturers and markets pre-engineered steel building systems and components across China. In addition, Vistawall has operations in China which manufacture and sell extruded aluminium and glass products for the building and construction sector.

New Zealand Steel

The New Zealand Steel operation at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of 0.6 million tonnes.

Corporate and Group

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

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, arms-length basis. Segment accounting policies are the same as the consolidated entity's policies described in Note 1.

Note 2. Segment information (continued)

Primary reporting - business segments

2004	Hot Rolled Products [1] $m	New Zealand Steel $m	Coated and Building Products Australia $m	Coated and Building Products Asia $m	Coated and Building Products North America $m	Corporate and Group $m	Consolidated $m
Sales to external customers	1,268.6	484.7	2,742.3	673.8	191.1	377.6	5,738.1
Intersegment sales	1,462.9	75.5	141.2	15.3	0.4	291.4	1,986.7
Intersegment elimination							(1,986.7)
Total sales revenue	2,731.5	560.2	2,883.5	689.1	191.5	669.0	5,738.1
Other revenue	4.7	1.3	3.2	11.5	2.0	9.5	32.2
Intersegment elimination							(0.7)
Total other revenue	4.7	1.3	3.2	11.5	2.0	9.5	31.5
Total segment revenue	2,736.2	561.5	2,886.7	700.6	193.5	678.5	5,769.6
Segment result	565.1	58.5	196.7	100.2	(8.8)	(61.7)	850.0
Intersegment elimination							(32.1)
Total segment result	565.1	58.5	196.7	100.2	(8.8)	(61.7)	817.9
Unallocated revenue less unallocated expenses							(14.5)
Profit from ordinary activities before income tax expense							803.4
Income tax expense							(201.6)
Net profit							601.8
Segment assets	2,311.8	520.9	1,684.0	822.7	518.9	124.2	5,982.5
Unallocated assets [2]							124.7
Intersegment elimination							(325.1)
Total assets							5,782.1
Segment liabilities	452.6	92.8	428.7	203.3	286.9	147.8	1,612.1
Unallocated liabilities [2]							1,225.6
Intersegment elimination							(249.2)
Total liabilities							2,588.5
Investments in associates and joint venture partnership	232.1	-	-	-	4.2	-	236.3
Acquisition of property, plant and equipment, intangibles and other non-current segment assets [3]	64.5	26.5	104.2	164.1	176.0	4.0	539.3
Depreciation and amortisation expense	127.8	35.4	93.6	22.3	3.6	4.0	286.7
Other non-cash expenses	0.4	(1.0)	1.6	1.2	0.2	(0.9)	1.5

(1) The Hot Rolled Products segment results includes $71.1 million share of net profits of joint venture partnership (refer note 40).
(2) External borrowings, sale of receivables program, cash and tax balances are classified as unallocated.
(3) Includes property, plant and equipment acquired on 27 April 2004 from the purchase of the Butler Manufacturing Company for $186.1 million. This is reflected in the Coated and Building Products North America and Asia segments.

Note 2. Segment information (continued)

Primary reporting - business segments (continued)

2003	Hot Rolled Products [1] $m	New Zealand Steel $m	Coated and Building Products Australia $m	Coated and Building Products Asia $m	Corporate and Group $m	Consolidated $m
Sales to external customers	1,198.7	468.7	2,622.9	553.5	428.3	5,272.1
Intersegment sales	1,426.8	79.9	105.4	15.1	287.6	1,914.8
Intersegment eliminations						(1,914.8)
Total sales revenue	2,625.5	548.6	2,728.3	568.6	715.9	5,272.1
Other revenue	6.3	2.0	6.9	6.7	6.2	28.1
Intersegment eliminations						1.9
Total other revenue	6.3	2.0	6.9	6.7	6.2	30.0
Total segment revenue	2,631.8	550.6	2,735.2	575.3	722.1	5,302.1
Segment result	471.2	44.4	118.5	84.0	(101.8)	616.3
Intersegment eliminations						(5.2)
Total segment result	471.2	44.4	118.5	84.0	(101.8)	611.1
Unallocated revenue less unallocated expenses						(17.5)
Profit from ordinary activities before income tax expense						593.6
Income tax expense						(120.9)
Net profit						472.7
Segment assets	2,236.3	501.4	1,607.1	483.2	108.1	4,936.1
Unallocated assets [2]						28.6
Intersegment elimination						(211.6)
Total assets						4,753.1
Segment liabilities	396.5	78.0	399.0	79.3	138.3	1,091.1
Unallocated liabilities [2]						738.6
Intersegment elimination						(167.7)
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	346.5	49.2	40.3	10.8	2,345.2
Depreciation and amortisation expense	119.9	37.0	83.5	24.6	5.1	270.1
Other non-cash expenses	(0.9)	11.9	1.0	0.9	0.2	13.1

(1) The Hot Rolled Products segment result includes $69.2 million share of net profits of joint venture partnership (refer note 40).
(2) External borrowings, sale of receivables program, cash and tax balances are classified as unallocated.
(3) Includes property, plant and equipment acquired on 3 July 2002 from the purchase of BlueScope 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)

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	
	2004 $m	2003 $m	**2004 $m**	2003 $m	**2004 $m**	2003 $m
Geographical Classification						
Australia	**3,281.5**	3,039.4	**3,455.5**	3,440.2	**171.9**	1,957.0
New Zealand	**363.6**	334.4	**557.2**	528.0	**26.5**	346.5
Asia	**1,237.7**	1,152.7	**845.1**	541.4	**162.9**	40.0
North America	**557.4**	404.9	**879.5**	188.2	**176.2**	-
Other	**297.9**	340.7	**44.8**	55.3	**1.8**	1.7
	5,738.1	5,272.1	**5,782.1**	4,753.1	**539.3**	2,345.2

Note 3. Revenue

	Consolidated		Parent entity	
	2004 $m	2003 $m	**2004 $m**	2003 $m
Revenue from operating activities				
Sale of goods	**5,614.5**	5,144.6	**2,468.2**	2,316.7
Services	**123.6**	127.5	**-**	-
	5,738.1	5,272.1	**2,468.2**	2,316.7
Revenue from outside the operating activities				
Management and guarantee fees related parties	**-**	-	**0.6**	1.1
Interest related parties	**-**	-	**19.9**	29.4
Interest external	**2.5**	4.1	**0.1**	0.1
Dividends related parties	**-**	-	**18.1**	44.6
Dividends external	**1.0**	1.9	**-**	-
Rental income related parties	**-**	-	**-**	0.3
Royalty income related parties	**-**	-	**-**	3.6
Other revenue external	**11.8**	12.8	**-**	-
Other revenue related parties	**2.1**	2.2	**7.8**	0.9
Gross proceeds from the sale of assets	**14.1**	9.0	**1.6**	6.2
	31.5	30.0	**48.1**	86.2
Revenue from ordinary activities	**5,769.6**	5,302.1	**2,516.3**	2,402.9

Note 4. Profit from ordinary activities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$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	**5.3**	4.5	**0.9**	4.3
Investments	**2.7**	-	**-**	-
Expenses				
Cost of goods sold	**4,109.2**	3,859.5	**1,880.5**	1,805.1
Depreciation				
Buildings	**15.9**	14.9	**3.7**	3.4
Plant and equipment	**269.6**	254.8	**64.5**	58.1
Total depreciation	**285.5**	269.7	**68.2**	61.5
Amortisation				
Goodwill	**1.0**	0.4	**0.1**	-
Plant and equipment under finance lease	**0.2**	-	**-**	-
Total amortisation	**1.2**	0.4	**0.1**	-
Total depreciation and amortisation	**286.7**	270.1	**68.3**	61.5
Other charges against assets				
Write down/(writeback) of inventories to NRV	**(0.7)**	0.4	**1.3**	1.8
Write down of investments to recoverable amount	**1.3**	12.6	**-**	-
Write down of controlled entity investments to recoverable amount	**-**	-	**-**	6.7
Bad and doubtful debts - trade debtors	**0.8**	(0.3)	**0.3**	(0.8)
Bad and doubtful debts - sundry debtors	**-**	0.5	**-**	-
Borrowing costs				
Other parties	**16.6**	26.4	**-**	-
Related parties	**0.2**	-	**-**	-
Total borrowing costs	**16.8**	26.4	**-**	-
Amount capitalised	**-**	(4.4)	**-**	-
Borrowing costs expensed	**16.8**	22.0	**-**	-
Research and development	**19.6**	15.5	**15.2**	10.5
Net foreign exchange losses	**(0.2)**	(21.3)	**(1.8)**	(7.8)
Defined benefit superannuation expense (note 37)	**36.1**	53.8	**8.2**	16.3
Rental expense relating to operating leases	**51.8**	44.2	**11.2**	9.1

Note 4. Profit from ordinary activities (continued)

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
(b) Individually specific 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) BlueScope Steel Limited was required to change its company name within two years of the separation from the BHP Billiton Group. The company changed its name from BHP Steel to BlueScope Steel on 17 November 2003.

(2) In January 2003, a $20 million lump sum contribution was made to the BlueScope 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 resulted in an improvement in the financial position of the Pension Fund, it was fully provided against 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	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Income tax expense				
(a) The income tax expense for the financial year differs from the amount calculated on profit. The differences are reconciled as follows:				
Profit from ordinary activities before income tax expense	**803.4**	593.6	**202.9**	131.2
Income tax calculated @ 30% (2003: 30%)	**241.0**	178.1	**60.9**	39.3
Tax effect of permanent differences				
Non-deductible depreciation and amortisation	**5.7**	2.9	**0.4**	0.6
Investment allowance	**(1.3)**	-	**-**	-
Research and development incentive	**(3.0)**	(2.8)	**(0.7)**	(0.9)
Recognition of previously unbooked tax losses	**(29.5)**	-	**-**	-
Utilisation of unbooked tax losses	**(31.5)**	(47.5)	**-**	-
Non-assessable dividends	**(0.3)**	(0.5)	**(5.4)**	(13.4)
Non taxable (gains)/losses	**(1.1)**	(2.0)	**(0.4)**	1.1
Exempt income	**(13.5)**	(10.9)	**-**	-
Non-deductible entertainment	**0.7**	0.5	**0.3**	0.3
Other variations	**1.2**	4.7	**0.5**	3.5
Income tax adjusted for permanent differences	**168.4**	122.5	**55.6**	30.5
Effect of differing rates of tax on overseas income	**6.5**	0.4	**-**	-
Under (over) provision in prior year	**26.7**	(2.0)	**1.2**	3.4
Income tax expense attributable to profit from ordinary activities	**201.6**	120.9	**56.8**	33.9

Note 5. Income tax (continued)

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Tax losses				
(b) The directors estimate that that the potential future income tax benefit at 30 June 2004 in respect of tax losses not brought to account is	135.6	182.3	-	-

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 future income tax benefit and as a reduction of the provision for deferred income tax are disclosed in note 25.

Tax consolidation legislation.

BlueScope Steel Limited and its wholly-owned Australian controlled entities have decided to implement the tax consolidation legislation as of 23 July 2002. The Australian Tax Office has been notified of this decision. The accounting policy on implementation of the legislation is set out in note 1(f). There was no impact on income tax expense for the year from entering tax consolidation as it was elected to retain the existing tax values of the company's assets. There would have been an unfavourable reduction in the tax values of the company's assets if they were reset upon entering tax consolidations.

The wholly-owned entities have fully compensated BlueScope Steel Limited for deferred tax liabilities assumed by BlueScope Steel Limited on the date of the implementation of the legislation and have been fully compensated for any deferred tax assets transferred to BlueScope Steel Limited.

The entities have also entered into a tax sharing and funding agreement. Under the terms of this agreement, the wholly-owned entities reimburse BlueScope Steel Limited for any current income tax payable and deferred tax payable by BlueScope Steel Limited arising in respect of their activities. The reimbursements are payable at the same time as the associated income tax liability falls due and have therefore been recognised as a current and non-current tax-related receivable by BlueScope Steel Limited (see notes 7 and 11). In the opinion of the directors, the tax sharing agreement is also a valid agreement under the tax consolidation legislation and limits the joint and several liability of the wholly-owned entities in the case of a default by BlueScope Steel Limited.

Note 6. Current assets - Cash assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Cash at bank and on hand	**117.2**	83.1	**0.2**	1.9
Short term deposits	**2.2**	7.9	**-**	-
	119.4	91.0	**0.2**	1.9
The above figures are reconciled to cash at the end of the financial year as shown in the statements of cash flows as follows:				
Balances as above	**119.4**	91.0	**0.2**	1.9
Less: Bank overdrafts (note 20)	**1.3**	-	**-**	-
Balances as per statements of cash flows	**118.1**	91.0	**0.2**	1.9

Note 7. Current assets - Receivables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Trade debtors	**837.7**	524.4	**215.9**	166.4
Less: Provision for doubtful debts	**18.3**	13.0	**2.9**	3.2
	819.4	511.4	**213.0**	163.2
Related party trade debtors	**-**	-	**46.1**	21.2
Other debtors	**169.8**	128.2	**29.1**	29.2
Tax related amounts receivable from wholly-owned entities (refer note 1(f))	**-**	-	**108.4**	-
Loans to related parties	**-**	-	**231.5**	692.4
	989.2	639.6	**628.1**	906.0

Sale of receivables program

The value of trade receivables for the parent entity and consolidated group at 30 June 2004 would have been $129.4 million and $191.4 million higher respectively (2003: $159.6 million and $206.0 million respectively) but for the sale of such receivables. A balance of $25.4 million for the parent entity and $39.3 million for the consolidated group (2003: $22.6 million and $29.0 million respectively) is held in other debtors in relation to the sale of receivables program, representing retentions on the amounts sold.

BlueScope Steel (Finance) Ltd purchased receivables from North Star BlueScope Steel, a 50% owned joint venture partnership (refer note 40) and then onsold these receivables to Corporate Receivables Securitisation Limited (CRS), an asset securitisation company. This has resulted in a balance of $92.9 million (2003: $66.6 million) being recorded in other debtors. BlueScope Steel (Finance) Limited has also recognised an other creditor of $88.5 million (2003: $65.0 million) pertaining to amounts owing to CRS.

Note 8. Current assets - Inventories

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Raw materials and stores				
At cost	**205.9**	110.0	**29.0**	26.3
	205.9	110.0	**29.0**	26.3
Work in progress				
At cost	**275.2**	258.6	**121.6**	124.6
At net realisable value	**2.2**	7.5	**1.8**	4.3
	277.4	266.1	**123.4**	128.9
Finished goods				
At cost	**348.9**	196.1	**77.9**	64.2
At net realisable value	**17.8**	28.3	**5.6**	9.0
	366.7	224.4	**83.5**	73.2
Spares and other				
At cost	**41.4**	38.9	**3.9**	5.1
	41.4	38.9	**3.9**	5.1
Total current assets - inventories				
At cost	**871.4**	603.6	**232.4**	220.2
At net realisable value	**20.0**	35.8	**7.4**	13.3
	891.4	639.4	**239.8**	233.5

Note 9. Current assets - Other financial assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Investments - cost				
Term deposits	**-**	4.1	**-**	-

Note 10. Current assets - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Deferred charges and prepayments	**43.7**	17.6	**2.7**	3.4

Note 11. Non-current assets - Receivables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Related party trade debtors (note 38)	**-**	-	**8.4**	8.4
Other receivables	**7.1**	10.8	**6.2**	10.3
Tax related amounts receivable from wholly-owned entities (note 1(f))	**-**	-	**292.6**	-
	7.1	10.8	**307.2**	18.7

Note 12. Non-current assets - Inventories

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Raw materials and stores				
At cost	**1.1**	0.8	**1.1**	0.8
	1.1	0.8	**1.1**	0.8
Finished goods				
At cost	**12.3**	-	**-**	-
	12.3	-	**-**	-
Spares and other				
At cost	**53.0**	52.2	**24.3**	21.8
At net realisable value	**4.7**	5.2	**-**	-
	57.7	57.4	**24.3**	21.8
Total non-current inventories				
At cost	**66.4**	53.0	**25.4**	22.6
At net realisable value	**4.7**	5.2	**-**	-
	71.1	58.2	**25.4**	22.6

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Equity accounted joint venture partnership (note 40(a))	**200.2**	130.6	**-**	-
Loan to joint venture partnership	**31.9**	21.0	**-**	-
Shares in other associates (note 40(b))	**4.2**	-	**-**	-
	236.3	151.6	**-**	-

Investments in joint venture partnerships and associates 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 the joint venture partnership are set out in note 40.

Note 14. Non-current assets - Other financial assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Non-traded investments				
Shares in controlled entities - at cost (note 39)	**-**	-	**1,656.2**	1,648.9
Less: Provision for write down	**-**	-	**6.7**	6.7
Shares in other corporations - at cost	**17.0**	16.3	**-**	-
Less: Provision for write down (note 4(b))	**12.4**	11.8	**-**	-
Total non-traded shares - at recoverable amount	**4.6**	4.5	**1,649.5**	1,642.2
Partnerships	**10.8**	9.7	**-**	-
Less: Provision for write down	**10.8**	9.7	**-**	-
Total partnerships - at recoverable amount	**-**	-	**-**	-
	4.6	4.5	**1,649.5**	1,642.2

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	\$m	\$m	**\$m**	\$m
Land and buildings				
Land and buildings (a)				
At cost	**687.6**	588.7	**154.1**	152.5
Less: Accumulated depreciation	**262.6**	248.1	**77.7**	74.5
Total land and buildings	**425.0**	340.6	**76.4**	78.0
Plant, machinery and equipment				
Plant, machinery and equipment (b)				
At cost	**6,125.0**	5,783.6	**1,509.8**	1,469.4
Less: Accumulated depreciation	**3,268.0**	3,038.6	**864.2**	836.4
Total plant, machinery and equipment	**2,857.0**	2,745.0	**645.6**	633.0
Plant, machinery and equipment under finance lease (c)				
At cost	**6.8**	-	**-**	-
Less: Accumulated depreciation	**0.2**	-	**-**	-
Total plant, machinery and equipment under finance lease	**6.6**	-	**-**	-
Total plant, machinery and equipment	**2,863.6**	2,745.0	**645.6**	633.0
Total property, plant and equipment	**3,288.6**	3,085.6	**722.0**	711.0

Note 15. Non-current assets - Property, plant and 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	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
(a) Land and buildings				
Opening carrying value	**340.6**	206.0	**78.0**	76.4
Additions	**13.6**	22.2	**2.3**	2.2
Additions through acquisition of entities	**82.3**	145.3	**-**	-
Depreciation	**(15.9)**	(14.9)	**(3.7)**	(3.4)
Disposals	**(2.2)**	(2.0)	**(0.2)**	(1.2)
Class reclassification	**1.8**	3.9	**-**	4.0
Exchange variations/other	**4.8**	(19.9)	**-**	-
Closing carrying value	**425.0**	340.6	**76.4**	78.0
(b) Plant, machinery and equipment				
Opening carrying value	**2,745.0**	859.1	**633.0**	644.9
Additions	**286.2**	161.9	**75.9**	49.0
Additions through acquisition of entities	**98.5**	2,012.2	**1.7**	-
Depreciation	**(269.6)**	(254.8)	**(64.5)**	(58.1)
Disposals	**(3.8)**	(2.5)	**(0.5)**	(0.8)
Class reclassification	**(1.8)**	(1.9)	**-**	(2.0)
Exchange variations/other	**2.5**	(29.0)	**-**	-
Closing carrying value	**2,857.0**	2,745.0	**645.6**	633.0
(c) Plant, machinery and equipment under finance lease				
Opening carrying value	**-**	-	**-**	-
Additions through acquisition of entities	**6.3**	-	**-**	-
Depreciation	**(0.2)**	-	**-**	-
Exchange variations/other	**0.5**	-	**-**	-
Closing carrying value	**6.6**	-	**-**	-
Valuation of land and buildings				
Land	**216.5**	175.2	**43.3**	42.6
Buildings	**612.2**	533.8	**122.8**	125.5
	828.7	709.0	**166.1**	168.1

The current value of land is determined mainly by reference to rating authority valuations, or fair value 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	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Future income tax benefit (refer note 1(f))	**58.0**	37.3	**-**	-

The consolidated future income tax benefit includes income tax losses of $54.8 million (2003: $22.5 million).

Note 17. Non-current assets - Intangible assets

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Goodwill at cost	**61.6**	4.9	**2.6**	-
Less: Accumulated amortisation	**1.5**	0.4	**0.1**	-
	60.1	4.5	**2.5**	-
Patents - at cost	**9.9**	10.4	**0.1**	0.2
Less: Accumulated amortisation	**9.9**	10.4	**0.1**	0.2
	-	-	**-**	-
	60.1	4.5	**2.5**	-

Note 18. Non-current assets - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Deferred charges and prepayments	**12.6**	8.9	**0.8**	1.1

Note 19. Current liabilities - Payables

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Trade creditors	**562.1**	352.3	**79.2**	86.7
Related party trade creditors	**-**	-	**118.6**	72.7
Other creditors	**166.2**	140.7	**28.5**	32.0
	728.3	493.0	**226.3**	191.4

Note 20. Current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2004 $m	2003 $m	**2004 $m**	2003 $m
Secured				
Bank loans (note 32(a))	**4.4**	-	**-**	-
Other loans (note32(a))	**0.5**	-	**-**	-
Lease liabilities (note 36)	**1.7**	-	**-**	-
	6.6	-	**-**	-
Unsecured				
Bank overdraft (note 6)	**1.3**	-	**-**	-
Bank loans (note 32(a))	**364.6**	101.5	**-**	-
Associate loans (note 32(a))	**43.5**	-	**-**	-
Loans from related parties	**-**	-	**373.5**	389.0
	409.4	101.5	**373.5**	389.0
	416.0	101.5	**373.5**	389.0

Details of the security relating to each of the secured liabilities and further information on the bank overdrafts and bank loans are set out in note 24.

Note 21. Current liabilities - Current tax liabilities

	Consolidated		Parent entity	
	2004 $m	2003 $m	**2004 $m**	2003 $m
Income tax (refer note 1(f))	**154.3**	108.0	**148.5**	38.7

Note 22. Current liabilities - Provisions

	Consolidated		Parent entity	
	2004 $m	2003 $m	**2004 $m**	2003 $m
Product claims	**22.7**	36.0	**10.6**	33.8
Employee benefits	**215.5**	175.7	**74.5**	77.5
Restructure	**25.3**	0.3	**-**	0.3
Workers compensation	**23.5**	23.0	**6.3**	9.6
Other	**7.7**	23.7	**1.5**	20.5
	294.7	258.7	**92.9**	141.7

Note 22. Current liabilities - Provisions (continued)

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.

Restructure
The restructure provision primarily relates to the mid-2005 closure of the Butler Buildings North America plant located in Galesburg. The provision was taken up as part of the Butler Manufacturing Company balance sheet acquired on 27 April 2004.

Workers Compensation
In Australia, BlueScope Steel Limited is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary. Butler Manufacturing Company maintains policy deductibles for its workers compensation insurance plans.

Other
In the prior year, a $20 million provision was raised to cover the costs of changing the company's name. A $1.5m provision remains outstanding at 30 June 2004.

Note 23. Current liabilities - Other

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Deferred income	**92.5**	8.1	**-**	-

Note 24. Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Secured				
Bank loans (note 32(a))	**39.7**	-	**-**	-
Other loans (note 32(a))	**1.1**	-	**-**	-
Lease liabilities (note 36)	**5.1**	-	**-**	-
	45.9	-	**-**	-
Unsecured				
Bank loans (note 32(a))	**99.4**	33.8	**-**	-
Other loans (note 32(a))	**31.4**	32.6	**-**	-
	130.8	66.4	**-**	-
Total non-current interest bearing liabilities	**176.7**	66.4	**-**	-

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Secured liabilities				
Total secured liabilities (current and non-current) are:				
Loans	**45.7**	-	**-**	-
Lease liabilities	**6.8**	-	**-**	-
Total secured liabilities	**52.5**	-	**-**	-

Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

Assets pledged as security
The carrying amounts of non-current assets pledged as security are:

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
First mortgage				
Freehold land and buildings	**34.9**	-	**-**	-
Lien on financed property	**10.8**	-	**-**	-
Total assets pledged as security	**45.7**	-	**-**	-

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

Financing arrangements

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Unrestricted access was available at balance date to the following lines of credit:				
Credit standby arrangements				
Total facilities				
Bank overdrafts	**23.6**	16.4	**-**	-
Bank loan facilities	**915.0**	809.6	**-**	-
	938.6	826.0	**-**	-
Used at balance date				
Bank overdrafts	**1.3**	-	**-**	-
Bank loan facilities	**508.1**	135.3	**-**	-
	509.4	135.3	**-**	-
Unused at balance date				
Bank overdrafts	**22.3**	16.4	**-**	-
Bank loan facilities	**406.9**	674.3	**-**	-
	429.2	690.7	**-**	-

Bank loan facilities

Australian

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

(a) a $400 million Loan Note Facility with a syndicate of banks. The facility comprises a 3 year tranche of $200 million and a 5 year tranche of $200 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 2005.

(c) a $217 million bridging facility with two banks to facilitate the purchase of Butler Manufacturing Company.

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

Non Australian

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

(a) a MYR67 million (A$26 million) long term amortising loan held by BlueScope Steel (Malaysia) Sdn Bhd. This facility expires in 2008.

(b) a US$25 million (A$36 million) short term facility to support working capital and other short term cash requirements for PT BlueScope Steel Indonesia.

(c) a US$15 million (A$22 million) short term facility to support working capital and other short term cash requirements for BlueScope Steel Thailand Limited.

Other facilities

On the 1 July 2004, the BlueScope Steel Group completed a debut debt raising in the US private placement market for US$300 million (A$435 million). These funds have been used to refinance existing borrowings including bridging finance utilised for the acquisition of Butler Manufacturing Company. This has been disclosed as an event occurring after reporting date (refer note 41).

Of the US$300 million notes issued, US$100 million are due for repayment in 2011, and US$200 million are due in 2014.

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	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Provision for deferred income tax (refer note 1(f))	**388.3**	395.1	**370.0**	76.9

The consolidated provision for deferred income tax has been reduced by $29.0 million (2003: $11.4 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	
	2004 **$m**	2003 $m	**2004** **$m**	2003 $m
Product claims	**31.0**	19.2	**11.2**	4.7
Employee benefits	**208.1**	142.8	**59.0**	42.6
Restoration and rehabilitation	**2.1**	1.4	**-**	-
Workers compensation	**83.0**	67.8	**10.7**	6.6
Other	**13.5**	-	**-**	-
	337.7	231.2	**80.9**	53.9

Movements in provisions

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

	Product claims $m	**Restructure $m**	**Restoration & rehabilitation $m**	**Workers Compensation $m**	**Other $m**	**Total $m**
Consolidated						
Current and Non-current						
Carrying amount at 1 July 2003	55.2	0.3	1.4	90.8	23.7	171.4
Additional provisions recognised	18.4	0.4	0.6	18.1	(2.0)	35.5
Payments	(31.4)	(0.6)	-	(9.2)	(17.7)	(58.9)
Provisions acquired	9.6	23.4	-	6.3	15.6	54.9
Exchange fluctuations	1.9	1.8	0.1	0.5	1.6	5.9
Carrying amount at 30 June 2004	53.7	25.3	2.1	106.5	21.2	208.8

	Product claims $m	**Restructure $m**	**Restoration & rehabilitation $m**	**Workers Compensation $m**	**Other $m**	**Total $m**
Parent entity						
Current and Non-current						
Carrying amount at July 1 2003	38.5	0.3	-	16.2	20.5	75.5
Additional provisions recognised	11.8	0.3	-	5.1	(1.7)	15.5
Payments	(28.5)	(0.6)	-	(4.3)	(17.3)	(50.7)
Carrying amount at 30 June 2004	21.8	-	-	17.0	1.5	40.3

Note 27. Contributed equity

	Parent entity		Parent entity	
	2004 **Shares**	2003 Shares	**2004** **$m**	2003 $m
Issued and paid up capital	**732,320,847**	784,685,949	**1,914.9**	2,182.1

Note 27. Contributed equity (continued)

(a) Movements in ordinary share capital

Date	Details	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)
	Less: Transaction costs arising on share buyback			0.1
30-6-2003	Balance	784,685,949		2,182.1
31-7-2003	Share buyback	(9,131,867)	$4.08	(37.3)
31-8-2003	Share buyback	(4,598,638)	$4.43	(20.4)
30-9-2003	Share buyback	(9,953,681)	$4.94	(49.2)
31-10-2003	Share buyback	(6,820,443)	$5.28	(36.0)
30-11-2003	Share buyback	(7,389,880)	$5.15	(38.0)
31-12-2003	Share buyback	(7,532,781)	$5.22	(39.3)
30-01-2004	Share buyback	(6,937,812)	$5.41	(37.5)
	Employee share plan			(9.2)
				1,915.2
	Less: Transaction costs arising on share buyback			0.3
30-6-2004	Balance	732,320,847		1,914.9

(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

The company commenced a 10% on-market buyback of share capital on 14 March 2003. The total number of shares that could be repurchased was 79,300,000. At the conclusion of the share buyback on 13 March 2004, the total number of shares bought back was 60,679,153 ($285.3 million, including $0.4 million of transaction costs).

Note 27. Contributed equity (continued)

(d) Employee share plan

In September 2003, the company provided 200 BlueScope Steel Limited shares at nil cost to 9,403 eligible employees (1,880,600 shares). The objective was to recognise and reward employees for their contribution to the company's first year financial and workplace safety performance and provide them with the opportunity to become long term shareholders. An equivalent number of shares were bought back at $4.88 per share.

(e) Share rights

For details on share rights issued to senior executives refer to note 33.

Note 28. Reserves and retained profits

	Consolidated		Parent entity	
	2004 $m	2003 $m	**2004 $m**	2003 $m
(a) Reserves				
Asset revaluation reserve	**-**	-	**-**	-
Foreign currency translation reserve	**(77.5)**	(91.2)	**-**	-
General reserve	**-**	-	**-**	-
	(77.5)	(91.2)	**-**	-
Movements:				
Asset revaluation reserve				
Opening balance	**-**	117.6	**-**	117.4
Transfer to retained profits	**-**	(117.6)	**-**	(117.4)
Closing balance	**-**	-	**-**	-
Foreign currency translation reserve				
Opening balance	**(91.2)**	(13.3)	**-**	-
Net exchange differences on translation of foreign controlled entities	**12.7**	(77.9)	**-**	-
Transfers to retained profits	**1.0**	-	**-**	-
Closing balance	**(77.5)**	(91.2)	**-**	-
General reserve				
Opening balance	**-**	78.6	**-**	78.6
Transfer to retained profits	**-**	(78.6)	**-**	(78.6)
Closing balance	**-**	-	**-**	-

Note 28. Reserves and retained profits (continued)

	Notes	Consolidated 2004 $m	Consolidated 2003 $m	Parent entity 2004 $m	Parent entity 2003 $m
(b) Retained profits					
Retained profits at the beginning of the financial year		**961.4**	387.7	**466.7**	245.9
Net profit attributable to members of BlueScope Steel Limited		**584.1**	451.7	**146.1**	97.3
Adjustment resulting from adoption of revised accounting standard AASB 1028 "Employee Benefits"	1(a)	**-**	(2.8)	**-**	(1.1)
Dividends paid	31	**(241.6)**	(71.4)	**(241.6)**	(71.4)
Aggregate of amounts transferred from reserves	28(a)	**(1.0)**	196.2	**-**	196.0
		1,302.9	961.4	**371.2**	466.7

(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(g)(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 2004 $m	Consolidated 2003 $m
Interest in:		
Share capital	**52.6**	52.0
Reserves	**(19.1)**	(18.2)
Retained profits	**19.8**	5.0
	53.3	38.8

Note 30. Equity

	Notes	Consolidated 2004 $m	Consolidated 2003 $m	Parent entity 2004 $m	Parent entity 2003 $m
Total equity at the beginning of the financial year		**3,091.1**	771.7	**2,648.8**	605.9
Total changes in equity recognised in the statement of financial performance		**596.8**	371.0	**146.1**	96.2
Transactions with owners as owners:					
Contributions of equity	27	**-**	2,045.4	**-**	2,045.4
Share buy-back	27	**(258.0)**	(27.3)	**(258.0)**	(27.3)
Dividends paid	31	**(241.6)**	(71.4)	**(241.6)**	(71.4)
Employee share plan	27	**(9.2)**	-	**(9.2)**	-
Total changes in outside equity interest	29	**14.5**	1.7	**-**	-
Total equity at the end of the financial year		**3,193.6**	3,091.1	**2,286.1**	2,648.8

Note 31. Dividends

	Consolidated 2004 $m	Consolidated 2003 $m	Parent entity 2004 $m	Parent entity 2003 $m
Total dividends paid	**241.6**	71.4	**241.6**	71.4

As at 30 June 2004, the company's franking credits available for subsequent years is $148.0 million (2003: $85.3 million). The franking credits balance includes franking credits that are expected to arise from the payment of income tax payable as at the end of the financial year.

A fully franked final dividend of 13 cents ($100 million) and a fully franked special dividend of 7 cents ($53.8 million) per fully paid ordinary share was paid on 10 October 2003. A fully franked interim dividend of 12 cents per fully paid ordinary share was paid on 29 March 2004 ($87.9 million).

The directors have declared a fully franked final dividend of 18 cents and a fully franked special dividend of 10 cents per fully paid ordinary share. The estimated final dividend payable of $131.8 million and the special dividend payable of $73.2 million to be paid on 18 October 2004 (record date 5 October 2004), have not been recognised as a liability at 30 June 2004.

Note 32. Financial instruments

The BlueScope 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 BlueScope Steel Group has for controlling them and any concentrations of exposure are discussed under each risk category.

The BlueScope Steel Group's accounting policies for financial instruments are set out in note 1(s).

Liquidity and Credit Risk

The BlueScope 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 BlueScope Steel Group within the normal terms of trade. To manage this risk, the BlueScope 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 BlueScope 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 BlueScope Steel Group conducts transactions with the following major types of counterparties.

- Receivables counterparties

Sales to BlueScope Steel Group customers are made either on open terms or subject to independent payment guarantees. The BlueScope Steel Group has a significant concentration of credit risk with three major customers, being OneSteel Ltd, Smorgon Steel Ltd group, and the Amatek Group. These entities are all major customers of the BlueScope 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 BlueScope 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 BlueScope Steel Group has no significant concentration of credit risk with any single counterparty or group of counterparties.

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

Note 32. Financial instruments (continued)

Geographic
The BlueScope 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 BlueScope 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 BlueScope Steel Group.

Selective receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and Atradius Credit Insurance N.V.

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

Price Risk

Portfolio approach
The BlueScope 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 BlueScope 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 program for other price risks would be largely ineffective in reducing cashflow at risk as the primary driver of cashflows would remain unhedged.

Interest Rate Risk
The BlueScope 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 BlueScope Steel Group price risk management strategy.

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

Forward exchange contracts
The BlueScope 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 BlueScope Steel Group price risk management strategy.

Commodity price risk
The BlueScope 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 BlueScope 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.

Butler Manufacturing Company have $3.5 million of outstanding aluminium contracts. This is made up of 58 contracts with each contract buying 25-tonnes of aluminium at an average price of US$1,665 per tonne. These contracts currently have a mark to market loss of $0.1 million. This amount has been taken up in the financial statements.

Note 32. Financial instruments (continued)

(a) 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.

2004	**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	2.3	119.4	-	-	-	-	119.4
Loan to joint venture partnership	13	1.9	31.9	-	-	-	-	31.9
Other financial assets - investments	14		-	-	-	-	4.6	4.6
External receivables	7,11		-	-	-	-	996.3	996.3
			151.3	-	-	-	1,000.9	1,152.2
Financial liabilities								
Trade and other creditors	19		-	-	-	-	728.3	728.3
Bank overdraft	20	2.3	1.3	-	-	-	-	1.3
Bank loans	20,24	3.8	484.4	23.7	-	-	-	508.1
Lease liabilities	20,24	6.0	-	-	5.4	1.4	-	6.8
Other loans	20,24	5.4	43.5	-	1.2	31.8	-	76.5
Interest rate swaps*			26.5	(26.5)	-	-	-	-
			555.7	(2.8)	6.6	33.2	728.3	1,321.0
Net financial assets (liabilities)			(404.4)	2.8	(6.6)	(33.2)	272.6	(168.8)

* Notional principal amounts

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)	-	-	-
			188.0	(27.5)	(25.2)	32.6	493.0	660.9
Net financial assets (liabilities)			(71.9)	27.5	25.2	(32.6)	161.9	110.1

* Notional principal amounts

(b) 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(s).

Note 32. Financial instruments (continued)

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

	2004		2003	
	Carrying amount $m	**Net fair value $m**	Carrying amount $m	Net fair value $m
On-balance financial instruments				
Financial assets				
Cash	**117.2**	**117.2**	83.1	83.1
Deposits	**2.2**	**2.2**	12.0	12.0
Trade debtors	**819.4**	**819.3**	511.4	511.4
Other debtors	**176.9**	**176.9**	139.0	139.0
Equity accounted investments	**236.3**	**236.3**	151.6	151.6
Shares in other corporations	**4.6**	**4.6**	4.5	4.5
Non-traded financial assets	**1,356.6**	**1,356.5**	901.6	901.6
Financial liabilities				
Trade creditors	**562.1**	**562.1**	352.3	352.3
Other creditors	**166.2**	**166.2**	140.7	140.7
Bank overdraft	**1.3**	**1.3**	-	-
Bank loans	**508.1**	**508.1**	135.3	135.3
Other loans	**76.5**	**81.5**	32.6	36.7
Lease liabilities	**6.8**	**6.8**	-	-
Non-traded financial liabilities	**1,321.0**	**1,326.0**	660.9	665.0
Off-balance sheet financial instruments				
Financial assets				
Interest rate swaps	**-**	**1.0**	-	2.3

Note 33. Director and executive disclosures

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

Chairman - non executive
G J Kraehe, AO

Executive Director - Managing Director and Chief Executive Officer
K C Adams

Non-executive Directors
R J McNeilly
J Crabb
D J Grady
H K McCann
P J Rizzo
Y P Tan

J Crabb resigned as a director of BlueScope Steel Limited on 28 July 2004.

Executives (other than directors) with the greatest authority for strategic direction and management
The following persons form part of the Executive Leadership Team ("ELT") and are the executives with the greatest authority for the strategic direction and management of the consolidated entity ("specified executives") during the financial year:

Name	Position
L E Hockridge	President - Industrial Markets
K J Fagg	President - Market and Logistics Solutions
B G Kruger	Chief Financial Officer
N H Cornish	President - Australian Building and Manufacturing Markets
M Courtnall	President - Asian Building and Manufacturing Markets
I R Cummin	Executive Vice President - Human Resources (from September 2003)

All of the above persons were also specified executives during the year ended 30 June 2003, except for I R Cummin who commenced employment with the group on 1 September 2003.

Remuneration of directors and executives
Principles used to determine the nature and amount of remuneration
The company's remuneration policy is directed at underpinning a high performance organisation. The focus of its remuneration strategy is on performance and accountability. Executive remuneration packages are designed to support the delivery of outstanding returns for shareholders by aligning performance-related reward with the value delivered to shareholders.

To compete, the BlueScope Steel Group must be able to attract and retain the very best talent that is available within the global steel industry, while maintaining shareholder value. Our remuneration strategy enables the company to:
- Compete for executive talent by providing competitive remuneration; and
- Maintain an appropriate "at risk mix" in total remuneration to ensure the BlueScope Steel Group delivers superior performance and grows shareholder value.

The company complies with the legal requirements applicable to shareholder approval for participation in equity-based executive remuneration plans. Shareholder approval is sought for any shares or share rights to be granted to its executive directors.

Note 33. Director and executive disclosures (continued)

Non-executive Directors
Fees and payments to non-executive directors reflect the demands which are made on, and the responsibilities of, the directors. Non-executive Directors' fees and payments are reviewed annually by the Board. The Board has sought the advice of an expert external remuneration consultant to ensure non-executive directors' fees and payments reflect their duties and are in line with the market. The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to the determination of his own remuneration. Non-executive Directors do not receive share rights. Non-executive Directors are expected to accumulate over time a shareholding in the Company at least equivalent in value to their annual remuneration. Non-executive Directors are expected to salary sacrifice a minimum of 10% of their remuneration each year to purchase BlueScope Steel Limited shares (instead of cash fees), which are acquired on-market. Shareholders approved this arrangement at the Annual General Meeting in November 2003, and directors commenced participation in this arrangement in January 2004.

Directors' fees
The current remuneration of non-executive directors was last reviewed with effect from 1 January 2004. The Chairman and Deputy Chairman's remuneration is inclusive of Board committee fees. Other non-executive directors who chair a Board committee receive additional yearly fees and members of the Audit and Risk Committee also receive an additional yearly fee. Mr Tan (a resident of Singapore) is in receipt of a travel allowance recognising his involvement in representing the Board in activities with BlueScope Steel's Asian business and the significant travel requirement imposed in respect of attendance at meetings.

Non-executive directors' fees are determined within an aggregate directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool limit currently stands at $1,750,000 per annum (inclusive of superannuation).

Retirement allowances for Directors
BlueScope Steel Limited does not provide any retirement allowances for directors.

Executive pay
The reward structure combines base salary, short-term and long-term incentive plans and post-retirement benefit arrangements. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

Base salary
Base salaries are quantified by reference to the scope and nature of an individual's role, performance, experience and market data. Base salary drives the ultimate delivery of total remuneration including both short-term and long-term incentive targets.

Market data is obtained from external sources to determine the market value of positions.

Incentive plans
The Short Term Incentive Plan is an annual 'at risk' cash bonus scheme. Goals are established for each participant under the following categories:

- **Shareholder Value Delivery** - financial performance measures are used including Net Profit After Tax, Earnings Before Interest and Tax and Cashflow.
- **Zero Harm** - safety and environment performance measures, including Lost Time Injury Frequency Rates, Medical Treatment Injury Frequency Rates and environmental measures.
- **Business Excellence** - performance measures for the financial year ending 30 June 2004 were focused on delivery performance, days of inventory and cost of poor quality product.
- **Strategy** - implementation of specific initiatives.

Note 33. Director and executive disclosures (continued)

Executives have a weighting of 60% of their bonus on the shareholder value measures. For executives, target bonus levels range from 20% of base salary to 100% of base salary and are set to reflect market competitiveness. For outstanding results, participants may receive up to 150% of their target bonus amount.

The Long Term Incentive Plan is an award of share rights to eligible executives. Eligibility, performance hurdles and the quantity of share rights awarded is at the discretion of the Board. This decision is made annually taking into account the annual business performance results. No financial assistance is provided to executives in respect of any tax liability or cost arising from the exercising of share rights.

Executives are expected to accumulate over time a shareholding in the Company. For senior executives, this shareholding is expected to be at least equivalent in value to their annual remuneration.

Post-retirement benefits
BlueScope Steel Limited operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there are a combination of defined benefit and accumulation type plans. Contributions are also made to other international superannuation plans for employees outside of Australia, New Zealand and North America.

Other benefits
Additionally, executives are eligible to participate in an annual health assessment program designed to ensure that executives have their health status reviewed on a regular basis.
Amounts disclosed for remuneration for directors and specified executives exclude insurance premiums paid by the consolidated entity in respect of directors' and officers' liability insurance contracts and corporate travel insurance contracts as the contracts do not specify premiums paid in respect of individual directors and officers. Information relating to the insurance contracts is set out in the directors' report.

Details of remuneration
Details of the remuneration of each Director of BlueScope Steel Limited and each of the six specified executives of BlueScope Steel Limited is set out in the following tables.

Directors of BlueScope Steel Limited

2004	Primary (1)				Post-employment	Equity (2)	
Name	Cash salary and fees $	At risk cash bonus $	Non-monetary benefits $	Sub total $	Super-annuation $	Share rights $	Total $
K C Adams *	1,391,346	1,990,000	7,227	3,388,573	204,528	815,218	4,408,319
G J Kraehe	331,712	-	7,227	338,939	19,070	-	358,009
R J McNeilly	167,365	-	-	167,365	12,286	-	179,651
J Crabb	128,885	-	-	128,885	10,832	-	139,717
D J Grady	131,327	-	-	131,327	10,832	-	142,159
H K McCann	123,385	-	-	123,385	10,347	-	133,732
P J Rizzo	147,896	-	-	147,896	-	-	147,896
Y P Tan	131,596	-	-	131,596	10,842	-	142,438
Total	2,553,512	1,990,000	14,454	4,557,966	278,737	815,218	5,651,921

* Mr Adams has elected to take his at risk cash bonus in the form of shares in the Company, under the Share Purchase Plan approved by Shareholders on 12 November 2003.

Note 33. Director and executive disclosures (continued)

Specified executives of the consolidated entity

2004	Primary (1)				Post-employment	Equity (2)	
Name	Cash salary and fees $	At risk cash bonus $	Non-monetary benefits $	Sub total $	Super-annuation $	Share rights $	Total $
L E Hockridge	612,500	560,000	17,325	1,189,825	90,038	320,806	1,600,669
K J Fagg	525,385	370,000	1,554	896,939	73,608	282,882	1,253,429
B G Kruger	494,338	430,000	7,794	932,132	71,578	247,623	1,251,333
N H Cornish	456,153	330,000	37,535	823,688	66,546	242,733	1,132,967
M Courtnall	405,095	320,000	13,040	738,135	59,040	199,569	996,744
I R Cummin (from 1/9/03)	322,500	320,000	-	642,500	45,000	71,256	758,756
Total	2,815,971	2,330,000	77,248	5,223,219	405,810	1,364,869	6,993,898

(1) At risk cash bonus amounts reflect the estimated annual cash bonus for the twelve months to 30 June 2004 based on actual performance. Actual annual cash bonus amounts will be paid in September 2004.

(2) Valuation of equity remuneration in the form of share rights granted, excludes the effect of tenure risk. For each award, total fair value is pro-rated over the award period, from grant date to expected vesting date.

Service agreements (employment contracts)
Remuneration and other terms of employment for the Managing Director and CEO, and the specified executives are formalised in employment contracts. Each of these contracts provide for the provision of performance-related cash bonuses, other benefits including annual health assessment, corporate travel insurance, superannuation, and participation, when eligible, in the BlueScope Steel Long Term Incentive Plan. A three month notice period for termination of the contract applies. Other major provisions of the agreements relating to remuneration are set out in the table below:

Name	Date of appointment to position	Annual base pay $	Superannuation $	Termination payment * $
K C Adams	1 Jul 2002	1,350,000	197,100	2,700,000
L E Hockridge	1 Jul 2002	600,000	87,600	911,538
K J Fagg	1 Jul 2002	510,000	71,400	510,000
B G Kruger	1 Jul 2002	480,000	70,080	613,846
N H Cornish	1 Jul 2002	440,000	64,280	858,846
M Courtnall	1 Jul 2002	400,000	58,400	453,846
I R Cummin	1 Sep 2003	390,000	54,600	390,000

* The termination payment specified in Mr Adams' contract, other than for serious misconduct or breach of contract, is 24 months of base pay. The termination payment specified on employment contracts for other senior executives, other than for serious misconduct or breach of contract, is the greater of 12 months base pay or the redundancy policy applicable at the time. The current redundancy policy is based on an individual's years of service.

Note 33. Director and executive disclosures (continued)

Share-based compensation
The terms and conditions of each grant of options affecting remuneration in this or future reporting periods are as follows:

Grant date	Expiry date	Exercise price	Value per share right at grant date*	Date exercisable
25 Jul 2002	25 Jul 2007	2.85	$0.40	From 30 Sep 2004
25 Jul 2002	31 Mar 2006	Nil	$1.17	From 30 Sep 2004
30 Sep 2002	30 Sep 2006	Nil	$0.98	From 01 Oct 2005
24 Oct 2003	30 Oct 2008	Nil	$2.75	From 30 Sep 2006
13 Nov 2003	30 Oct 2008	Nil	$2.68	From 30 Sep 2006

* External valuation advice from Pricewaterhouse Coopers Securities Limited has been used to determine the value of 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.

Share rights granted under the plan carry no dividend or voting rights.

When exercisable, each share right is convertible into one ordinary share.

Share-based compensation – employee share ownership scheme
The company launched an Employee Share Ownership Scheme (ESOP) in September 2003 which invited all eligible employees to apply for 200 ordinary shares in the company. These shares are subject to a "holding lock" and are restricted for a period of three years. During this period they may not be sold. These shares rank equally with all other fully paid ordinary shares as from the date of issue and will be eligible for dividends.

None of the directors of BlueScope Steel Limited participated in the company's employee share ownership scheme.

Note 33. Director and executive disclosures (continued)

Equity instrument disclosures relating to directors and executives

Share rights provided as remuneration
Details of share rights in the company provided as remuneration to the Managing Director and CEO and each of the six specified executives of BlueScope Steel Limited are set out in the share rights holding table below. When exercisable, each share right is convertible into one ordinary share of BlueScope Steel Limited.

Shares provided on exercise of remuneration share rights
No ordinary shares in the company were provided as a result of the exercise of share rights, as no share rights vested during the year.

Share rights holdings
The number of share rights over ordinary shares in the company held during the financial year by the Managing Director and CEO, and each of the six specified executives of the consolidated entity, are set out below.

No non-executive directors received share rights during the period.

Name	Balance at the start of the year	Granted during the year as remuneration	Balance at the end of the year
Directors of BlueScope Steel Limited			
K C Adams	1,175,500	273,300	1,488,800
Specified executives of the consolidated entity			
L E Hockridge	455,800	97,100	552,900
K J Fagg	406,100	82,600	488,700
B G Kruger	348,000	77,700	425,700
N H Cornish	348,000	71,200	419,200
M Courtnall	277,600	64,000	342,300
I R Cummin (from 1/9/03)	-	94,700	94,700

No share rights are vested and unexercisable at the end of the year.

Note 33. Director and executive disclosures (continued)

Share-based compensation - share rights

The details of each of the awards are as follows:

(a) July 2002 Award

Nominated executives were awarded share rights (SR's) in BlueScope 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. For this award a once-only increase equivalent to an additional 50% of the value of the award was made. This once-only increase was to recognise that, but for the Steel separation, the nominated employees would have been eligible to an award under the BHP Billiton Limited's Long Term incentive Plans in October 2001, and the first performance period under the BlueScope Steel Long Term Incentive Plan will be shorter than the three year period usually adopted under BHP Billition Limited's plans. A share right is a right to acquire an ordinary share in BlueScope 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 BlueScope 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 Share Rights 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/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of Share Rights 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
80^{th} - 100^{th} percentile	100%	50%
70^{th} - $<80^{th}$ percentile	90%	50%
60^{th} - $<70^{th}$ percentile	70%	50%
50^{th} - $<60^{th}$ percentile	50%	50%
$<50^{th}$ 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 share rights awarded in July 2002 comprised both nil priced and market priced share rights. The exercise price established for the Market Priced Share Rights was based on the volume weighted average price of the BlueScope Steel Limited shares sold under the sale facility at the time of the demerger from BHP Billiton and BlueScope Steel shares on the ASX during the first five trading days. Selected senior executives received SR's with a nil exercise price.

Note 33. Director and executive disclosures (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	976,170	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, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of $4.2 million for the 2004 financial year (2003: $3.8 million). Note that no adjustments to these amounts have been made to reflect actual forfeiture of shares.

(b) September 2002 Plan

Executives were awarded Share Rights (SR's) over ordinary shares in BlueScope 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/S&P 100 index at the award grant date. 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 2002 award is 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 forfeits any shares acquired under this award.

Note 33. Director and executive disclosures (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	191,600

(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, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of $1.5 million for the 2004 financial year (2003: $1.1 million). Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

(c) September 2003 Plan

Executives were awarded Share Rights (SR's) over ordinary shares in BlueScope 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 2003 and ends on 30 September 2006.

Vesting
The proportion of Share Rights 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/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of Share Rights that become exercisable on meeting the performance hurdle is as follows:

TSR Performance Hurdle	% of Share Rights that Vest
75^{th} - 100^{th} percentile	100%
51^{st} - <75^{th} percentile	A minimum of 52% plus a further 2% for each percentage ranking. Any unvested SRs will be carried over to be assessed at subsequent performance periods.
< 51^{st} percentile	All SRs will be carried over to be assessed at subsequent performance periods.

If the performance hurdles are not met at the end of the first performance period (or are only partially met), four subsequent performance periods will apply. The subsequent performance periods commence on 1st October 2003 and end on 31st March 2007, 30th September 2007, 31st March 2008 and 30th September 2008 respectively.

Exercise Price
The exercise price for all SR's in the September 2003 award is Nil.

Note 33. Director and executive disclosures (continued)

Details of the September 2003 Award

Grant Date	24 October 2003 (all executives excluding MD and CEO) 13 November 2003 (MD and CEO)
Exercise Date	From 1 October 2006
Latest Expiry Date	30 September 2008
Share Rights Granted	2,511,600
Number of Participants at grant date	144
Number of current participants	143
Exercise Price	Nil
Fair Value Estimate at Grant Date (1)	$6,887,769
Share Rights lapsed since grant date	24,800

(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, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of $1.6 million for the 2004 financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

Share holdings

The number of shares in the company held during the financial year by each director of BlueScope Steel Limited and each of the six specified executives of the consolidated entity, including their personally-related entities, are set out below.

Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Directors of BlueScope Steel Limited			
G J Kraehe	103,824	366	104,190
R J McNeilly	512,056	183	512,239
J Crabb	41,428	144	41,572
D J Grady	30,000	432	30,432
H K McCann	20,000	131	20,131
P J Rizzo	22,500	157	22,657
Y P Tan	-	131	131
K C Adams (1)	902,212	-	902,212
Specified executives of the consolidated entity			
L E Hockridge	53,551	200	53,751
K J Fagg	-	200	200
B G Kruger (2)	10,685	(7,800)	2,885
N H Cornish (2)	-	12,200	12,200
M Courtnall	7,641	200	7,841
I R Cummin (from 1/9/03)	-	30,000	30,000

(1) Mr Adams' current holding of BlueScope Steel Limited shares has no connection with any BlueScope Steel Limited executive remuneration program and such shares have been acquired with his own funds.
(2) Includes transactions made during the year by personally-related entities.

Note 33. Director and executive disclosures (continued)

Loans to directors and executives
No loans were made to directors of BlueScope Steel Limited or the six specified executives of the consolidated entity, including their personally-related entities, during the period.

Other transactions with directors and specified executives

Directors of BlueScope Steel Limited
Mr Graham Kraehe is a non-executive chairman 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 BlueScope 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 BlueScope Steel Group by National Australia Bank for the twelve months ended 30 June 2004 was $1.3 million (2003: $1.2 million).

Mr Kevin McCann was a partner of Allens Arthur Robinson, a national law firm, until 30 June 2004, at which time he became a non-partner Chairman of the 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 BlueScope Steel Group by Allens Arthur Robinson for the twelve months ended 30 June 2004 was $0.8 million (2003: $0.8 million).

The above directors of BlueScope Steel have not participated in any decisions regarding these transactions. Transactions with these entities have been made on commercial arms-length terms and conditions.

Note 34. Remuneration of auditors

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$'000	$'000	**$'000**	$'000
During the year the following services were paid to the auditor of the parent entity, its related practices and non-related audit firms:				
Assurance services				
1. Audit services -				
Fees paid to Ernst & Young Australian firm:				
Audit or review of financial reports and other audit work under the Corporations Act 2001	**1,424**	1,247	**885**	961
Fees paid to related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)	**1,032**	454	**-**	-
Non-Ernst & Young audit firms	**12**	99	**-**	-
Total remuneration for audit services	**2,468**	1,800	**885**	961
2. Other assurance services				
Fees paid to Ernst & Young Australian firm:				
IFRS accounting services	**-**	30	**-**	30
Fees paid to related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)	**5**	-	**-**	-
Total remuneration for other assurance services	**5**	30	**-**	30
Total remuneration for assurance services	**2,473**	1,830	**885**	991
3. Non-audit services				
Fees paid to Ernst & Young Australian firm:				
Tax compliance services	**108**	95	**108**	95
International tax consulting	**310**	212	**310**	212
Fees paid to related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms) for tax compliance services	**147**	188	**-**	-
Total remuneration for non-audit services	**565**	495	**418**	307

Note 35. Contingent liabilities and contingent assets

Contingent liabilities

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

Outstanding Legal Matters

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Other persons				
(a) Unsecured	**2.6**	2.0	**1.1**	0.8
(b) Secured	**0.3**	-	**-**	-
	2.9	2.0	**1.1**	0.8

Guarantees
In Australia, BlueScope Steel Limited has given $126.4 million (June 2003: $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 $99.2 million (June 2003: $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 BlueScope 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 $50.8 million (June 2003: $70.5 million) (refer note 37). This deficiency represents potential additional contributions the company may make in the future.

The deficiency in the Butler Manufacturing Company defined benefit plans has been recognised as a liability at 30 June 2004 as the company has a legal obligation to make good this deficit (refer note 37).

For contingent liabilities relating to joint ventures refer to note 40.

Contingent assets

Butler Manufacturing Company was awarded damages from Louisiana Pacific Corporation arising out of its purchase of defective inner-seal products, and subsequently received cash of $30.4 million (US$21 million). This amount was included as a receivable in the acquisition balance sheet at 27 April 2004. An additional amount of $16.2 million (US$11.2 million) is currently subject to appeal. This contingent asset has not been recognised as a receivable at 30 June 2004 as the amount is dependent on the future outcome of the appeal.

Note 36. Commitments for expenditure

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$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	**82.6**	10.3	**7.3**	2.5
Later than one year but not later than 5 years	**4.6**	-	**-**	-
	87.2	10.3	**7.3**	2.5

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Operating lease commitments				
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:				
Within one year	**94.5**	79.5	**12.0**	6.8
Later than one year but not later than 5 years	**183.5**	184.8	**32.4**	24.8
Later than 5 years	**100.0**	55.9	**7.4**	4.7
	378.0	320.2	**51.8**	36.3

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Other commitments				
Commitments for the cost of various goods and services supplied to the company but not recognised as liabilities, payable:				
Within one year	**196.8**	141.6	**15.8**	3.1
Later than one year but not later than 5 years	**488.7**	486.3	**18.7**	8.5
Later than 5 years	**128.3**	145.9	**28.7**	-
	813.8	773.8	**63.2**	11.6

Note 36. Commitments for expenditure (continued)

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Finance lease commitments				
Commitments in relation to finance leases are payable as follows:				
Within one year	**2.0**	-	**-**	-
Later than one year but not later than 5 years	**5.0**	-	**-**	-
Later than 5 years	**0.9**	-	**-**	-
Minimum lease payments	**7.9**	-	**-**	-
Less: Future finance charges	**1.1**	-	**-**	-
Total lease liabilities	**6.8**	-	**-**	-
Representing lease liabilities:				
Current (note 20)	**1.7**	-	**-**	-
Non-current (note 24)	**5.1**	-	**-**	-
	6.8	-	**-**	-

For commitments relating to joint ventures refer to note 40.

Note 37. Employee benefits

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Employee entitlement liabilities				
Current (note 22)	**215.5**	175.7	**74.5**	77.5
Non-current (note 26)	**208.1**	142.8	**59.0**	42.6
Aggregate employee entitlement liability	**423.6**	318.5	**133.5**	120.1
	Number		**Number**	
Employee numbers				
Average number of employees during the financial year	**12,815**	11,861	**3,720**	3,911

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 BlueScope 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 Retirement Savings Plan, a master trust managed by Tower Employee Benefits Limited. Butler Manufacturing Company employees in the United States are members of either one of four Butler Manufacturing defined benefit plans, the Individual Retirement Asset Account Plan ("IRAA"), or a combination of both types of plans. The BlueScope Steel Group also makes superannuation contributions to defined contribution funds in respect of the entity's employees located in other countries.

STA, the Retirement Savings Plan, and the IRAA provide accumulation style benefits. The New Zealand Steel Pension Fund and the four Butler Manufacturing plans provide defined benefits, and the BlueScope Steel Superannuation Fund provides both accumulation style benefits and defined benefits.

Note 37. Employee benefits (continued)

Defined benefit funds provide defined lump sum monthly benefits based on years of service and final average salary. The Butler Manufacturing defined benefit plans are integrated into a floor-offset arrangement in which the plan entitlements are offset to an extent by the accumulated entitlements of the IRAA.

Actuarial assessments of the defined benefit funds are made at no more than three yearly intervals, with summary assessments performed annually. The last formal actuarial investigations were made of the BlueScope Steel Superannuation Fund as at 1 July 2002 (the date it was established), the New Zealand Steel Pension Fund as at 31 March 2003, and the four Butler Manufacturing defined benefit plans as at 1 January 2004. Summary actuarial assessments were performed for all of these funds as at 30 June 2004, to provide information that is more up to date than that of the most recent formal actuarial investigation.

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

Defined Benefit Funds to which BlueScope Steel employees belong

2004	BlueScope Steel Superannuation Fund $m	New Zealand Steel Pension Fund $m	Butler Manufacturing Company defined benefit plans $m	Aggregate $m
Present value of employees' accrued benefits	474.0	182.6	198.8	855.4
Net market value of assets held by the Fund to meet future benefit payment	458.7	147.1	139.6	745.4
Shortfall of assets over the present value of employees' accrued benefits	15.3	35.5	59.2	110.0
Vested benefits	473.6	181.8	184.9	840.3
Employer contributions	20.9	13.7	-	34.6
Movement in liability	-	-	1.5	1.5
Defined benefit expense	20.9	13.7	1.5	36.1

These amounts were measured as at 30 June 2004 (employer contributions relate to the year ended 30 June 2004). The net market value of assets of the BlueScope Steel Superannuation Fund and the New Zealand Pension Fund are estimates as the valuations had not been finalised.

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 these Funds to review the actions being taken to recover the deficiencies in the Funds identified.

The combined deficiency of the Butler Manufacturing defined benefit plans has been recognised as a liability as the company has a legal obligation to make good the deficit. The deficiencies of both the BlueScope Steel Superannuation Fund and the New Zealand Steel Pension Fund have been recognised as a contingent liability at 30 June 2004 (refer note 35).

Comparative information is provided in respect of the year ended 30 June 2003 in the table below.

Note 37. Employee benefits (continued)

2003	**BlueScope Steel Superannuation Fund** **$m**	**New Zealand Steel Pension Fund** **$m**	**Aggregate** **$m**
Present value of employees' accrued benefits	448.4	155.4	603.8
Net market value of assets held by the Fund to meet future benefit payment	417.8	115.5	533.3
Shortfall of assets over the present value of employees' accrued benefits	30.6	39.9	70.5
Vested benefits	448.0	151.6	599.6
Employer contributions	41.7	12.1	53.8
Movement in liability	-	-	-
Defined benefit expense	41.7	12.1	53.8

No comparative information is provided in respect of the year ended 30 June 2003 for the Butler Manufacturing Company defined benefits plans as they were acquired on 27 April 2004.

Note 38. Related parties

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

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	
	2004 **$m**	2003 $m	**2004** **$m**	2003 $m
Interest revenue				
Commonly controlled entities	**-**	-	**19.9**	29.4
Dividend revenue				
Controlled entities	**-**	-	**18.1**	44.6
Management fee revenue				
Commonly controlled entities	**-**	-	**0.6**	1.1
Other revenue				
Controlled entities	**-**	-	**-**	3.9
Associates	**2.1**	2.2	**-**	-
Interest expense				
Associates	**0.2**	-	**-**	-

Note 38. Related parties (continued)

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Net loan receivable repayments/(advances)				
Commonly controlled entities	**-**	(1,797.2)	**445.4**	(782.7)
Associates	**(11.2)**	35.6	**-**	-
Net loan payable proceeds/(repayments)				
Associates	**41.2**	-	**-**	-
Purchase of controlled entity investments from BHP Billiton Limited Group (refer note 39)	**-**	1,197.2	**-**	1,197.2
Capital injection by BHP Billiton Limited Group (refer note 27)	**-**	2,045.4	**-**	2,045.4

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	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Current receivables				
Commonly controlled entities	**-**	-	**386.0**	713.6
Associates (refer note 13)	**31.9**	21.0	**-**	-
Non-current receivables				
Commonly controlled entities	**-**	-	**301.0**	8.4
Current interest bearing liabilities				
Commonly controlled entities	**-**	-	**373.5**	389.0
Associates (refer note 20)	**43.5**	-	**-**	-

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 39
(b) joint venture partnership - note 40.

Note 39. Investments in controlled entities

Name of entity	Country of incorporation	Equity holding	
		2004 %	2003 %
BlueScope Steel Employee Share Plan Pty Ltd	Australia	**100**	100
BlueScope Steel Asia Holdings Pty Ltd	Australia	**100**	100
BlueScope Steel (AIS) Pty Ltd	Australia	**100**	100
Glenbrook Holdings Pty Ltd	Australia	**100**	100
Lysaght Design & Construction Pty Ltd	Australia	**100**	100
BlueScope Steel (Finance) Ltd	Australia	**100**	100
BlueScope 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
BlueScope Steel Middle East Investments Pty Ltd	Australia	**100**	100
The Roofing Centre (Tasmania) Pty Ltd (d)	Australia	**100**	-
Lysaght Building Solutions Pty Ltd (c)	Australia	**100**	-
BlueScope Pty Ltd (c)	Australia	**100**	-
City Rainwater Tanks (Aust) Pty Ltd (d)	Australia	**100**	-
Butler Argentina S.A. (e)	Argentina	**100**	-
Butler Export Inc (e)	Barbados	**100**	-
Butler Do Brazil Ltda (e) (f)	Brazil	**100**	-
BlueScope Lysaght (Brunei) Snd Bhd	Brunei	**60**	60
Endeavour Industries Ltd	British Virgin Islands	**100**	100
Walker Line Holdings Ltd (e) (f)	Canada	**100**	-
BlueScope Lysaght (Guangzhou) Ltd	China	**100**	100
BlueScope Lysaght (Shanghai) Ltd	China	**100**	100
BlueScope Steel International Trading (Shanghai) Co Ltd	China	**100**	100
BlueScope Lysaght (Langfang) Ltd	China	**100**	100
BlueScope Lysaght (Chengdu) Ltd	China	**100**	100
BlueScope Steel (Suzhou) Ltd (c)	China	**100**	-
Butler (Shanghai) Inc (e)	China	**100**	-
Butler (Tianjin) Inc (e)	China	**100**	-
Comercial Butler Limitada (e)	Chile	**99**	-
BlueScope Lysaght Fiji Ltd	Fiji	**64**	64
Butler Europe GmbH (e) (f)	Germany	**100**	-
NPDC Holding (Hong Kong) Ltd	Hong Kong	**100**	100
NPDC (Hong Kong) Ltd	Hong Kong	**100**	100
BlueScope Steel North Asia Ltd	Hong Kong	**100**	100
Butler Europe Kft (e)	Hungary	**96**	-
BlueScope Steel India (Private) Ltd	India	**100**	100
PT BlueScope Steel Indonesia	Indonesia	**100**	100
PT BlueScope Lysaght Indonesia	Indonesia	**100**	100
PT BRC Lysaght Distribution	Indonesia	**80**	80
BlueScope Steel Transport (Malaysia) Sdn Bhd	Malaysia	**100**	100
BlueScope Steel Logistics (Malaysia) Sdn Bhd	Malaysia	**100**	100
BlueScope Steel (Malaysia) Sdn Bhd	Malaysia	**60**	60
BlueScope Steel Lysaght (Malaysia) Sdn Bhd	Malaysia	**60**	60
BlueScope Lysaght (Sabah) Sdn Bhd (a)	Malaysia	**49**	49
BlueScope Steel Asia Sdn Bhd	Malaysia	**100**	100
Global BMC (Mauritius) Holdings Ltd (e)	Mauritius	**100**	-

Note 39. Investments in controlled entities (continued)

Name of entity	Country of incorporation	Equity holding 2004 %	Equity holding 2003 %
Butler S.A. de C.V. (e)	Mexico	**100**	-
Butler Construcciones S.A. de C.V. (e)	Mexico	**100**	-
Butler Manufacturas S de R.L. de C.V. (e)	Mexico	**100**	-
Butler de Mexico S. de R.L. de C.V. (e)	Mexico	**100**	-
Butler Europe B.V. (e)	Netherlands	**100**	-
BlueScope Acier Nouvelle - Caledonie SA*	New Caledonia	**65**	65
BlueScope Steel Finance NZ Ltd	New Zealand	**100**	100
Tasman Steel Holdings Ltd	New Zealand	**100**	100
New Zealand Steel Holdings Ltd	New Zealand	**100**	100
New Zealand Steel Ltd	New Zealand	**100**	100
Glenbrook Representatives Ltd	New Zealand	**100**	100
New Zealand Steel Development Ltd	New Zealand	**100**	100
Toward Industries Ltd	New Zealand	**100**	100
Steltech Structural Ltd	New Zealand	**100**	100
BlueScope Steel Trading NZ Ltd	New Zealand	**100**	100
New Zealand Steel Mining Ltd	New Zealand	**100**	100
BlueScope Steel International Holdings SA	Panama	**100**	100
BlueScope Steel Philippines Inc (g)	Philippines	**100**	-
NPAH Holdings Ltd (f)	PNG	**100**	100
BHP Lysaght Rabaul Ltd (f)	PNG	**100**	100
Titan Properties Ltd (f)	PNG	**100**	100
Butler Europe SP.ZO.O. (e) (f)	Poland	**97.5**	-
BlueScope Lysaght (Singapore) Pte Ltd	Singapore	**100**	100
BlueScope Steel Asia Pte Ltd	Singapore	**100**	100
Steelcap Insurance Pte Ltd	Singapore	**100**	100
BlueScope Steel Southern Africa (Pty) Ltd	South Africa	**100**	100
BlueScope Lysaght Lanka (Pvt) Ltd*	Sri Lanka	**82**	82
BlueScope Lysaght Taiwan Ltd	Taiwan	**80**	80
BlueScope Steel (Thailand) Ltd	Thailand	**75**	75
Steel Holdings Co Ltd	Thailand	**100**	100
BlueScope Lysaght (Thailand) Ltd	Thailand	**75**	75
BlueScope Steel International Ltd	UK	**100**	100
Butler Europe Ltd (e)	UK	**96**	-
BIEC International Inc	USA	**100**	100
BlueScope Steel Technology Inc	USA	**100**	100
BlueScope Steel Americas LLC	USA	**100**	100
BlueScope Steel Investments Inc	USA	**100**	100
Butler Manufacturing Company (e)	USA	**100**	-
Lester Holdings Inc (e)	USA	**100**	-
Lester Buildings Inc (e)	USA	**100**	-
Innovatice Building Technology, Inc (e)	USA	**100**	-
Bucon Inc (e)	USA	**100**	-
Butler Real Estate Inc (e)	USA	**100**	-
BMC Real Estate Inc (e)	USA	**100**	-
Butler Holdings Inc (e)	USA	**100**	-
Liberty Building Systems Inc (e)	USA	**100**	-
VW Corp (e)	USA	**100**	-
Moduline Windows Inc (e)	USA	**100**	-

Note 39. Investments in controlled entities (continued)

Name of entity	Country of incorporation	Equity holding 2004 %	2003 %
Butler Construction Inc (e)	USA	**100**	-
Butler Pacific Inc (e)	USA	**100**	-
BlueScope Lysaght (Vanuatu) Ltd (b)*	Vanuatu	**39**	39
BlueScope Lysaght (Vietnam) Ltd	Vietnam	**100**	100
BlueScope Steel Vietnam Ltd (c)	Vietnam	**100**	-

BlueScope Steel Limited was required to change its company name within two years of the separation from the BHP Billiton Group. On 17 November 2003, the company's name was changed from BHP Steel to BlueScope Steel. The change was applied to any controlled entities whose name contained 'BHP'.

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

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

(b) The BlueScope Steel Group's ownership of the ordinary share capital in this entity represents a beneficial interest of 39% represented by its 65% ownership in BlueScope Acier Nouvelle - Caledonie SA, which in turn has 60% ownership of this entity.

(c) These controlled entities were established during the year.

(d) The following controlled entities were acquired during the year (excluding the Butler Manufacturing Group - refer (e)):

The Tasmanian Roofing Centre	1 March 2004
City Rainwater Tanks (Aust) Pty Ltd	30 June 2004

(e) On 27 April 2004, the BlueScope Steel Group acquired the Butler Manufacturing Company and controlled entities.

(f) These controlled entities are in the process of being liquidated.

(g) In 2003, BlueScope Steel Philippines Inc was not a controlled entity, with ownership interest totaling 40%. On 1 March 2004, the remaining ownership interest was purchased.

Note 39. Investments in controlled entities (continued)

Acquisition of controlled entities

During the year, the BlueScope Steel Group acquired the Butler Manufacturing Company and its controlled entities, The Roofing Centre (Tasmania) Pty Ltd and City Rainwater Tanks (Aust) Pty Ltd. In addition, BlueScope Steel Philippines Inc became a controlled entity as the remaining 60% ownership interest was purchased. The operating results of these entities have been included in the consolidated statement of financial performance since the respective acquisition dates.

Details of these acquisitions are as follows:

	2004 $m	2003 $m
Fair value of identifiable net assets of controlled entities acquired		
Cash	**72.5**	56.1
External receivables	**211.0**	277.3
Inventories	**174.2**	397.0
Property, plant and equipment	**187.0**	2,157.5
Deferred tax assets	**43.3**	-
Other financial assets	**3.8**	4.3
Other assets	**35.1**	29.1
External payables	**(178.4)**	(284.9)
Deferred tax liability	**(0.9)**	(309.2)
Provision for restructuring, including employee retrenchment payments	**(23.4)**	-
Other provisions	**(167.5)**	(231.5)
Borrowings	**(194.0)**	-
Net related party loans	**-**	(1,323.5)
	162.7	772.2
Goodwill on consolidation	**51.5**	-
Deferred purchase price	**(1.3)**	-
Payout of Butler Manufacturing noteholder borrowings	**149.6**	-
Cash consideration	**362.5**	772.2

	Consolidated		Parent entity	
	2004 $m	2003 $m	**2004 $m**	2003 $m
Outflow of cash to acquire controlled entities, net of cash acquired				
Cash consideration	**362.5**	1,197.2	**17.1**	1,197.2
Less: Balances acquired				
Cash	**72.5**	56.1	**-**	-
Deposit*	**-**	425.0	**-**	-
Outflow of cash	**290.0**	716.1	**17.1**	1,197.2

* 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 BlueScope Steel Group separation, the deposit has a right of set off with a loan from the ANZ Banking Group held by BlueScope 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 40. Interests in joint ventures

(a) Joint venture partnership
The parent entity has a 50% interest in North Star BlueScope Steel, the principal activity of which is the manufacturing of steel. Information relating to the joint venture partnership, presented in accordance with the accounting policy described in note 1(r), is set out below.

	Consolidated	
	2004	2003
	$m	$m
Movement in carrying amount of investment in partnership		
Carrying amount at the beginning of the financial year	**130.6**	86.3
Share of profit from ordinary activities before tax	**71.1**	69.2
Currency fluctuation	**(1.5)**	(24.9)
Carrying amount at the end of the financial year	**200.2**	130.6
Share of partnership's assets and liabilities		
Current assets	**162.2**	80.4
Non-current assets	**211.1**	240.3
Total assets	**373.3**	320.7
Current liabilities	**137.6**	115.8
Non-current liabilities	**35.5**	74.3
Total liabilities	**173.1**	190.1
Net assets	**200.2**	130.6
Share of partnership's revenues, expenses and results		
Revenues	**487.2**	464.1
Expenses	**416.1**	394.9
Profit from ordinary activities before tax	**71.1**	69.2
Retained profits attributable to the partnership at the end of the financial year	**140.3**	69.2
Share of partnership's commitments		
Other commitments - information technology contract	**5.8**	7.2
Other commitments - long term utility supply contracts	**8.7**	12.6
Total expenditure commitments	**14.5**	19.8

Contingent Liabilities

North Star BlueScope 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 the BlueScope Steel Group in the event of default by North Star BlueScope Steel. At 30 June 2004, the BlueScope Steel Group's share of the North Star BlueScope Steel borrowings amounted to $50.6 million (2003: $97.0 million).

Reporting date

North Star BlueScope Steel has a 31 May reporting date.

(b) Shares in other associates
The Butler Manufacturing Group, acquired on 27 April 2004, have equity accounted investments totalling $4.2 million. These investments include a 40% interest in a joint venture located within the United Arab Emirates which designs, manufactures and sells architectural products in Middle Eastern markets, and a 30% joint venture interest in Saudi Arabia which manufactures pre-engineered steel frame buildings for Middle Eastern markets. These investments are not material to the financial results of the BlueScope Steel Group.

Note 41. Events occurring after reporting date

Private Placement - Debt

On 1 July 2004, the BlueScope Steel Group completed a debut debt raising in the US private placement market for US$300 million. These funds have been used to refinance existing borrowings including bridging finance utilised for the acquisition of Butler Manufacturing Company.

Of the US$300 million notes issued, US$100 million are due for repayment in 2011, and US$200 million are due in 2014.

Hot Strip Mill Upgrade

On 28 July 2004, BlueScope Steel Limited announced Board approval for investment of approximately $100 million to increase the nominal capacity of the Hot Strip Mill at Port Kembla Steelworks from 2.4 to 2.8 million tonnes per annum. The upgrade is expected to be completed in the first quarter of the 2006/07 financial year and will be undertaken in a manner that will minimise the impact on current plant operations.

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

	Consolidated		Parent entity	
	2004	2003	**2004**	2003
	$m	$m	**$m**	$m
Profit from ordinary activities after income tax	**601.8**	472.7	**146.1**	97.3
Depreciation and amortisation	**286.7**	270.1	**68.3**	61.5
Write down of other assets to recoverable amount	**1.3**	12.6	**-**	6.7
Capitalised borrowing costs	**-**	(4.4)	**-**	-
Net (gain) loss on sale of non-current assets	**(8.0)**	(4.5)	**(0.9)**	(4.3)
Share of profits of associates and joint venture partnership not received as dividends or distributions	**(71.2)**	(69.2)	**-**	-
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	**(123.0)**	(22.8)	**(70.7)**	(23.8)
Decrease (increase) in other debtors	**5.9**	(76.1)	**0.1**	(7.9)
Decrease (increase) in inventories	**(73.6)**	(41.6)	**(8.5)**	(36.6)
Decrease (increase) in other operating assets	**4.2**	(1.9)	**1.1**	(1.3)
Increase (decrease) in trade creditors	**22.6**	19.9	**24.1**	19.4
Increase (decrease) in other creditors	**12.2**	(36.3)	**(4.8)**	(51.6)
Increase (decrease) in income taxes payable	**120.7**	105.6	**1.4**	38.7
Increase (decrease) in deferred tax balances	**(34.7)**	(14.0)	**0.3**	(15.0)
Increase (decrease) in other provisions and liabilities	**5.6**	100.1	**(21.8)**	40.5
Increase (decrease) in deferred income	**12.0**	(1.4)	**-**	-
Other variations	**(2.4)**	2.6	**0.2**	(0.2)
Net cash inflow from operating activities	**760.1**	711.4	**134.9**	123.4

Note 43. Earnings per share

	Consolidated	
	2004	2003
	Cents	Cents
Basic earnings per share	**77.8**	57.1

There is no diluted earnings per share impact from the executive share rights scheme disclosed in note 33 as it is the current intention of the company to satisfy these entitlements through the buy back and cancellation of an equivalent number of BlueScope Steel Limited issued shares.

	Consolidated	
	2004	2003
	Number	Number
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**750,542,940**	791,544,061

	Consolidated	
	2004	2003
	$m	$m
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	**601.8**	472.7
Net profit attributable to outside equity interest	**(17.7)**	(21.0)
Earnings used in calculating basic earnings per share	**584.1**	451.7

BlueScope Steel Limited
Directors' declaration
30 June 2004

The directors declare that the financial statements and notes set out on pages 1 to 71:

(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 2004 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
Chairman

K C Adams
Managing Director & CEO

Melbourne
18 August 2004

Independent audit report to the members of BlueScope 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 both BlueScope Steel Limited (the company) and the consolidated entity, for the year ended 30 June 2004. 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 the consolidated entity, and that complies with Accounting Standards in Australia, 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 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 judgement, 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*, including compliance with Accounting Standards in Australia, 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 their performance as represented by the results of their 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 judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

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

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 audit of the financial report, 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.

Audit opinion

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

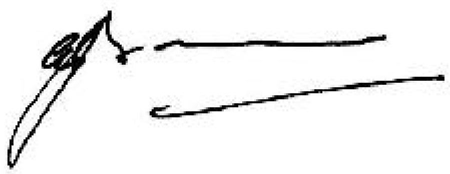
(a) the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the financial position of BlueScope Steel Limited and the consolidated entity at 30 June 2004 and of their performance for the year ended on that date; and

- (ii) complying with Accounting Standards and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young



A I Beckett
Partner

Melbourne
18 August 2004