BlueScope Steel Limited ABN 16 000 011 058
Annual Financial Report - 30 June 2009

Contents

	Page
Financial report	
Income statements	2
Balance sheets	3
Statement of recognised income and expense	4
Cash flow statements	5
Notes to the financial statements	6
Directors' declaration	101
Independent audit report to the members	102

BlueScope Steel Limited
Income statements
For the year ended 30 June 2009

	Notes	Consolidated 2009 $M	Consolidated 2008 $M	Parent 2009 $M	Parent 2008 $M
Revenue from continuing operations	6	**10,328.7**	10,491.8	**2,974.9**	3,843.6
Other income	7	**60.5**	139.1	**18.6**	-
Changes in inventories of finished goods and work in progress		**25.0**	(117.5)	**(65.0)**	84.2
Raw materials and consumables used		**(6,236.9)**	(5,254.3)	**(2,058.3)**	(2,184.3)
Employee benefits expense		**(1,695.4)**	(1,596.4)	**(418.5)**	(463.7)
Depreciation and amortisation expense	8	**(364.7)**	(357.1)	**(88.0)**	(84.0)
Impairment of non-current assets	8	**(69.8)**	(240.0)	**(144.7)**	(15.2)
Freight on external despatches		**(565.8)**	(673.3)	**(210.5)**	(239.5)
External services		**(1,068.9)**	(910.3)	**(191.9)**	(235.1)
Finance costs	8	**(134.4)**	(131.2)	**(173.0)**	(206.5)
Other expenses		**(349.3)**	(521.4)	**(134.1)**	(145.4)
Share of net profits (losses) of associates and joint venture partnership accounted for using the equity method	45, 46	**(56.3)**	111.4	**-**	-
Profit (loss) before income tax		**(127.3)**	940.8	**(490.5)**	354.1
Income tax (expense) benefit	9	**48.2**	(326.5)	**112.9**	85.6
Profit (loss) from continuing operations		**(79.1)**	614.3	**(377.6)**	439.7
Profit (loss) from discontinued operations after income tax	10	**12.3**	(2.0)	**-**	-
Profit (loss) for the year after income tax		**(66.8)**	612.3	**(377.6)**	439.7
Profit (loss) is attributable to:					
Equity holders of BlueScope Steel Limited		**(66.4)**	596.2	**(377.6)**	439.7
Minority interest		**(0.4)**	16.1	**-**	-
		(66.8)	612.3	**(377.6)**	439.7

	Notes	**Cents**	Cents
Earnings per share for profit (loss) from continuing operations attributable to the ordinary equity holders of the Company			
Basic earnings per share	49	**(8.5)**	66.4
Diluted earnings per share	49	**(8.5)**	65.9

	Notes	**Cents**	Cents
Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	49	**(7.1)**	66.2
Diluted earnings per share	49	**(7.1)**	65.8

The above income statements should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Balance sheets
As at 30 June 2009

	Notes	Consolidated 2009 $M	Consolidated 2008 $M	Parent 2009 $M	Parent 2008 $M
ASSETS					
Current assets					
Cash and cash equivalents	11	**369.2**	44.1	**1.5**	0.1
Receivables	12	**976.8**	1,497.3	**3,224.4**	2,230.5
Inventories	13	**1,628.9**	1,600.1	**329.9**	389.4
Derivative financial instruments	14	**-**	4.9	**-**	-
Other	15	**54.4**	54.8	**5.3**	4.0
		3,029.3	3,201.2	**3,561.1**	2,624.0
Non-current assets classified as held for sale	20(a)	**28.8**	-	**6.8**	-
Total current assets		**3,058.1**	3,201.2	**3,567.9**	2,624.0
Non-current assets					
Receivables	16	**36.4**	39.9	**-**	0.9
Inventories	17	**72.9**	59.7	**30.3**	21.7
Investments accounted for using the equity method	18	**262.4**	254.4	**-**	-
Other financial assets	19	**-**	-	**2,446.1**	2,585.9
Property, plant and equipment	20	**4,261.6**	3,807.3	**825.8**	869.8
Deferred tax assets	21	**79.5**	99.4	**143.9**	-
Intangible assets	22	**1,089.4**	998.6	**25.6**	19.2
Other	23	**4.3**	5.7	**0.3**	1.1
Total non-current assets		**5,806.5**	5,265.0	**3,472.0**	3,498.6
Total assets		**8,864.6**	8,466.2	**7,039.9**	6,122.6
LIABILITIES					
Current liabilities					
Payables	24	**939.8**	1,282.0	**280.9**	411.2
Interest bearing liabilities	25	**236.7**	1,082.1	**2,342.8**	2,326.3
Current tax liabilities	26	**2.7**	156.3	**-**	133.9
Provisions	27	**392.3**	493.6	**122.9**	170.7
Deferred income	28	**108.6**	106.3	**9.6**	2.9
Total current liabilities		**1,680.1**	3,120.3	**2,756.2**	3,045.0
Non-current liabilities					
Payables	29	**19.9**	7.5	**-**	-
Interest bearing liabilities	30	**888.2**	683.7	**102.3**	150.0
Deferred tax liabilities	31	**143.2**	308.4	**-**	8.9
Provisions	32	**209.3**	200.1	**60.8**	54.2
Retirement benefit obligations	33	**260.6**	204.4	**31.6**	2.7
Total non-current liabilities		**1,521.2**	1,404.1	**194.7**	215.8
Total liabilities		**3,201.3**	4,524.4	**2,950.9**	3,260.8
Net assets		**5,663.3**	3,941.8	**4,089.0**	2,861.8
EQUITY					
Contributed equity	34	**4,032.6**	2,151.2	**4,032.6**	2,151.2
Reserves	35(a)	**(104.8)**	(281.6)	**12.3**	13.7
Retained profits	35(b)	**1,651.7**	1,997.5	**44.1**	696.9
Parent entity interest		**5,579.5**	3,867.1	**4,089.0**	2,861.8
Minority interest		**83.8**	74.7	**-**	-
Total equity		**5,663.3**	3,941.8	**4,089.0**	2,861.8

The above balance sheets should be read in conjunction with the accompanying notes.

BlueScope Steel Limited
Statements of recognised income and expense
For the year ended 30 June 2009

	Notes	Consolidated 2009 $M	Consolidated 2008 $M	Parent 2009 $M	Parent 2008 $M
Cash flow hedges:	35(a)				
Gains (losses) taken to equity		**(3.8)**	(1.4)	**-**	(8.7)
Transferred to inventory		**(1.3)**	9.3	**-**	7.6
Net unrealised gain (loss) on available-for-sale financial assets	35(a)	**-**	(29.2)	**-**	-
Net realised (gain) loss on available-for-sale financial assets transferred to the income statement	35(a)	**-**	(128.0)	**-**	-
Net gains (losses) on hedges of net investments	35(a)	**(46.0)**	160.4	**-**	-
Exchange differences on translation of foreign operations		**224.4**	(301.2)	**-**	-
Exchange differences realised on disposal of businesses / subsidiaries transferred to the income statement		**-**	0.5	**-**	-
Actuarial gains (losses) on defined benefit plans	35(b)	**(103.6)**	(175.1)	**(33.8)**	(33.4)
Income tax on items taken directly to or transferred from equity		**91.8**	33.2	**10.1**	10.3
Net income (expense) recognised directly in equity		**161.5**	(431.5)	**(23.7)**	(24.2)
Profit (loss) for the year		**(66.8)**	612.3	**(377.6)**	439.7
Total recognised income and expense for the year		**94.7**	180.8	**(401.3)**	415.5
Total recognised income and expense for the year is attributable to:					
Members of BlueScope Steel Limited		**84.2**	171.1	**(401.3)**	415.5
Minority interest		**10.5**	9.7	**-**	-
		94.7	180.8	**(401.3)**	415.5

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

	Notes	Consolidated 2009 $M	Consolidated 2008 $M	Parent 2009 $M	Parent 2008 $M
Cash flows from operating activities					
Receipts from customers		**11,420.9**	11,060.6	**3,282.5**	3,487.2
Payments to suppliers and employees		**(10,669.2)**	(9,587.9)	**(3,363.5)**	(3,315.8)
		751.7	1,472.7	**(81.0)**	171.4
Dividends received		**7.1**	17.8	**2.3**	601.7
Joint venture partnership distributions received		**-**	128.8	**-**	-
Interest received		**5.9**	6.6	**68.4**	64.1
Other revenue		**24.7**	28.4	**16.3**	15.7
Finance costs paid		**(160.4)**	(143.1)	**(170.2)**	(206.6)
Income taxes (paid) received		**(204.5)**	(207.6)	**96.1**	64.8
Net cash (outflow) inflow from operating activities	47	**424.5**	1,303.6	**(68.1)**	711.1
Cash flows from investing activities					
Payment for subsidiaries, net of cash acquired	42	**(2.7)**	(1,549.8)	**(0.6)**	(749.9)
Payment for capital injection in subsidiaries		**-**	-	**(0.2)**	-
Disposal of subsidiary into joint venture partnership, net of cash disposed		**-**	(0.3)	**-**	-
Payments for property, plant and equipment		**(733.0)**	(393.6)	**(63.5)**	(75.1)
Payments for intangibles		**(12.2)**	(12.6)	**(1.1)**	(1.2)
Payments for investment in joint venture partnership		**(11.9)**	(21.5)	**(1.7)**	-
Payments for investment in business assets		**(2.0)**	(1.0)	**-**	-
Proceeds from sale of property, plant and equipment		**29.7**	6.4	**1.0**	2.0
Proceeds from redemption of investments		**-**	458.7	**0.8**	-
Repayment of loans by related parties		**4.4**	3.9	**-**	-
Net cash (outflow) inflow from investing activities		**(727.7)**	(1,509.8)	**(65.3)**	(824.2)
Cash flows from financing activities					
Proceeds from issues of shares		**1,832.2**	124.1	**1,832.2**	124.1
Capital share raising costs		**(66.4)**	-	**(66.4)**	-
Proceeds from borrowings		**19,117.9**	10,911.8	**-**	149.0
Financing of related entities		**-**	-	**(1,407.0)**	423.6
Repayment of borrowings		**(20,061.1)**	(10,580.8)	**(42.0)**	(334.0)
Dividends paid to Company's shareholders	36(d)	**(182.0)**	(249.6)	**(182.0)**	(249.6)
Dividends paid to minority interests in subsidiaries		**(1.7)**	(2.3)	**-**	-
Net cash inflow (outflow) from financing activities		**638.9**	203.2	**134.8**	113.1
Net increase (decrease) in cash and cash equivalents		**335.7**	(3.0)	**1.4**	-
Cash and cash equivalents at the beginning of the financial year		**19.6**	26.9	**0.1**	0.1
Effects of exchange rate changes on cash and cash equivalents		**8.5**	(4.3)	**-**	-
Cash and cash equivalents at end of year	11	**363.8**	19.6	**1.5**	0.1
Financing arrangements	30				
Non-cash investing and financing activities	48				

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

Contents of the notes to the financial statements

		Page
1	Summary of significant accounting policies	7
2	Corporate information	21
3	Financial risk management	22
4	Critical accounting estimates and judgements	31
5	Segment information	32
6	Revenue	36
7	Other income	36
8	Expenses	37
9	Income tax expense	39
10	Discontinued operations	42
11	Current assets - Cash and cash equivalents	43
12	Current assets - Receivables	44
13	Current assets - Inventories	46
14	Derivative financial instruments	46
15	Current assets - Other	47
16	Non-current assets - Receivables	47
17	Non-current assets - Inventories	48
18	Non-current assets - Investments accounted for using the equity method	48
19	Non-current assets - Other financial assets	48
20	Non-current assets - Property, plant and equipment	49
21	Non-current assets - Deferred tax assets	53
22	Non-current assets - Intangible assets	54
23	Non-current assets - Other	57
24	Current liabilities - Payables	57
25	Current liabilities - Interest bearing liabilities	58
26	Current liabilities - Current tax liabilities	58
27	Current liabilities - Provisions	58
28	Current liabilities - Deferred income	59
29	Non-current liabilities - Payables	60
30	Non-current liabilities - Interest bearing liabilities	60
31	Non-current liabilities - Deferred tax liabilities	63
32	Non-current liabilities - Provisions	63
33	Non-current liabilities - Retirement benefit obligations	65
34	Contributed equity	69
35	Reserves and retained profits	72
36	Dividends	74
37	Key management personnel disclosures	75
38	Remuneration of auditors	79
39	Contingencies	79
40	Commitments	81
41	Related party transactions	82
42	Business combinations	85
43	Subsidiaries	86
44	Deed of cross-guarantee	89
45	Investments in associates	92
46	Interests in joint ventures	93
47	Reconciliation of profit after income tax to net cash inflow from operating activities	94
48	Non-cash investing and financing activities	94
49	Earnings per share	95
50	Share-based payments	97
51	Events occurring after the balance sheet date	100

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS
The financial report of BlueScope Steel Limited also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of new accounting standards
AASB 8 *Operating Segments* replaces AASB 114 *Segment Reporting* for reporting periods beginning on or after 1 January 2009. AASB 8 was early adopted by the Group in the reporting period ended 30 June 2008. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer for BlueScope Steel Limited.

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

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

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2009 reporting period. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 123 (Revised) *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* (effective from 1 January 2009)
The revised AASB 123 has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets (refer note 1(u)).

(ii) AASB 101 (Revised) *Presentation of Financial Statements,* AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101* and AASB 2007-10 *Further Amendments to Australian Accounting Standards arising from AASB 101* (effective from 1 January 2009)
The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If the Group makes a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

(iii) AASB 3 (Revised) *Business Combinations,* AASB 127 *Consolidated and Separate Financial Statements* and AASB 2008-3 *Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127* (effective 1 July 2009)
The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs must be expensed. This is different to the Group's current policy which is set out in note 1(i).

1 Summary of significant accounting policies (continued)

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interest from 1 July 2009.

(iv) AASB 2008-7 *Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective 1 July 2009)
In July 2008, the AASB approved amendments to AASB 1 *First-time Adoption of International Financial Reporting Standards* and AASB 127 *Consolidated and Separate Financial Statements*. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Under the entity's current policy, these dividends are deducted from the cost of the investment.

(v) AASB Interpretation 16 *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008)
AASB-I 16 clarifies which foreign currency risks qualify as hedged risks in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the Group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009. There will be no changes to the accounting for the Group's existing net investment hedges (refer note 14(c)).

(vi) The following amendments are not relevant or material to the Group or the parent entity, BlueScope Steel Limited:

- AASB 2008-1 *Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations;*
- AASB 2008-2 *Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation;*
- AASB 2008-5 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2008-6 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project;*
- AASB 2008-8 *Amendments to Australian Accounting Standards - Eligible Hedged Items;*
- AASB 2008-9 *Amendments to AASB 1049 for consistency with AASB 101;*
- AASB 2008-11 *Amendments to Australian Accounting Standards - Business Combinations Among Not-for-Profit Entities;*
- AASB Interpretation 15 *Agreements for the Construction of Real Estate;* and
- AASB Interpretation 17 *Distribution of Non-cash Assets to Owners* and AASB 2008-13 *Amendments to Australian Accounting Standards arising from AASB Interpretation 17*

1 Summary of significant accounting policies (continued)

(c) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('Company' or 'parent entity') as at 30 June 2009 and the results of all subsidiaries for the year then ended. BlueScope Steel Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group (refer to note 1(i)).

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

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of BlueScope Steel Limited.

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

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

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

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

(iii) Joint venture entities
The interest in joint venture partnerships is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to partnerships are set out in note 46.

Profits or losses on transactions establishing joint venture partnerships and transactions with joint ventures are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

1 Summary of significant accounting policies (continued)

(d) Segment reporting

Operating segments are reported in a manner which is materially consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been indentified as the Managing Director and Chief Executive Officer.

(e) Foreign currency translation

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

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

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

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

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

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

(f) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

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

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

1 Summary of significant accounting policies (continued)

(iii) Interest income
Interest income is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

(iv) Dividends
Dividends are recognised as revenue when the right to receive payment is established.

(g) Income tax and other taxes

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

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

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

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

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

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

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

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

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

Tax consolidation legislation
BlueScope Steel Limited and its wholly-owned Australian controlled entities implemented the tax consolidation legislation as of 1 July 2005.

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 9.

1 Summary of significant accounting policies (continued)

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

(h) Leases

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

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

(i) Business combinations

The purchase method of accounting is used to account for all business combinations, excluding business combinations involving entities or businesses under common control which are transferred using the underlying values of the entity being acquired, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill (refer to note 1(r)). If the cost of acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

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

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

(j) Impairment of assets

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

Refer to note 20 for detail of impairment losses recognised in the current period.

Refer to note 22 for impairment testing methodology and a detailed allocation of goodwill and intangible assets with indefinite useful lives to CGUs.

1 Summary of significant accounting policies (continued)

(k) Cash and cash equivalents

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

(l) Trade receivables

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

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

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

(m) Inventories

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

(n) Disposal groups and non-current assets held for sale constituting discontinued operations

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

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

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

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

1 Summary of significant accounting policies (continued)

(o) Investments and other financial assets

Investments in subsidiary companies are accounted for at cost less accumulated impairment losses in the parent entity financial statements.

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

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

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 12 and 16).

(iii) Held-to-maturity investments
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

(iv) Available-for-sale financial assets
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

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

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

Reclassification of financial assets is now permitted under the revised AASB 139 *Financial Instruments: Recognition and Measurement*. The Group did not reclassify any financial assets in the current reporting period and therefore the revised standard has had no impact on the Group's financial statements.

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

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

1 Summary of significant accounting policies (continued)

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

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

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

Impairment
The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in profit or loss.

(p) Derivatives and hedging activities

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

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges);
- hedges of highly probable forecast transactions (cash flow hedges); or
- hedges of a net investment in foreign operations (net investment hedges).

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 35. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedges
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1 Summary of significant accounting policies (continued)

(ii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

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

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

(iii) Net investment hedges
Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges.

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

Gains and losses accumulated in the foreign currency translation reserve are included in the income statement when the foreign operation is partially disposed of or sold.

(iv) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that do not qualify for hedge accounting are recognised immediately in the income statement and are included in other income or other expenses.

(q) Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting sheet date.

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

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

1 Summary of significant accounting policies (continued)

(r) Intangible assets

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

Goodwill is allocated to a cash-generating unit or group of cash-generating units, for the purpose of impairment testing (note 22).

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

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

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

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

(v) Customer relationships
Customer relationships and items of similar substance are only recognised as an intangible asset if they are acquired as part of a business combination and meet the recognition criteria as set out in the business combinations accounting policy (refer to note 1(i)). This is on the basis that expenditure on these items cannot be distinguished from the cost of developing the business as a whole. Subsequent expenditure on these items is expensed.

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

(s) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 to 62 days of recognition.

(t) Borrowings

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

1 Summary of significant accounting policies (continued)

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

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

(u) Borrowing costs

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

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

(v) Provisions

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

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

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

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

(w) Employee benefits

(i) Wages and salaries, annual leave and sick leave
Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts as provisions for employee benefits, except accrued wages and salaries, which is presented as an other payable due to the increased certainty around the timing of the attached cash outflows. These nominal amounts are calculated with regard to employee services performed up until the reporting date and are based on remuneration rates which are expected to be paid when the liability is settled. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

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

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

1 Summary of significant accounting policies (continued)

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss directly in retained earnings.

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

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

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

(iv) Share-based payments
The Group provides benefits in the form of share-based payment transactions to employees. Information relating to these schemes is set out in note 50 and the 30 June 2009 Remuneration Report.

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

- *The Employee Share Plan ('ESP')*
  ESP is a share awards program which, at the determination of the Board, issues eligible employees with a grant of ordinary BlueScope Steel shares (or a reward of equal value in countries where the issue of shares is not practicable). The allocation of ESP is considered on a year-by-year basis.

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

- *Special Share Grants and Rights*
  Special share grants and rights are awarded by the Board from time to time to meet specific or exceptional demands.

The fair value of share awards and rights are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the shares (vesting date).

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

(vii) Termination benefits
Liabilities for termination benefits, not in connection with a business combination or the closure of an operation, are recognised when the Company is demonstrably committed to either terminating the employment of current employees according to a formal plan without possibility of withdrawal, or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

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

Redundancy costs associated with the closure of an operation are accounted for as restructuring costs (refer note 1(aa)).

(x) Contributed equity

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

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

(y) Dividends

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

(z) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to equity holders 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 any bonus elements in ordinary shares issued during the year.

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

- the after-income-tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, adjusted for any bonus elements in ordinary shares issued during the year.

(aa) Restructuring costs

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

1 Summary of significant accounting policies (continued)

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

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

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

(ab) Rounding of amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial 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, the nearest thousand or the nearest dollar.

2 Corporate information

The financial report of BlueScope Steel Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 14 August 2009.

BlueScope Steel Limited is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

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

3 Financial risk management

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

		Loans and receivables	**Derivative Instruments**		**Financial liabilities at amortised cost**	**Available-for-sale financial assets**	**Total carrying amount**
			Designated as hedges	Held for trading			
Consolidated - 30 June 2009	Notes	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets							
Receivables (current)	12	976.8	-	-	-	-	976.8
Receivables (non-current)	16	36.4	-	-	-	-	36.4
Financial liabilities							
Payables (current)	24	-	-	-	(939.8)	-	(939.8)
Payables (non-current)	29	-	-	-	(19.9)	-	(19.9)
Interest bearing liabilities (current)	25	-	-	-	(236.7)	-	(236.7)
Interest bearing liabilities (non-current)	30	-	-	-	(888.2)	-	(888.2)
		1,013.2	**-**	**-**	**(2,084.6)**	**-**	**(1,071.4)**

		Loans and receivables	**Derivative Instruments**		**Financial liabilities at amortised cost**	**Available-for-sale financial assets**	**Total carrying amount**
			Designated as hedges	Held for trading			
Consolidated - 30 June 2008	Notes	**$M**	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets							
Receivables (current)	12	1,497.3	-	-	-	-	1,497.3
Receivables (non-current)	16	39.9	-	-	-	-	39.9
Derivative financial instruments	14	-	4.9	-	-	-	4.9
Financial liabilities							
Payables (current)	24	-	-	-	(1,282.0)	-	(1,282.0)
Payables (non-current)	29	-	-	-	(7.5)	-	(7.5)
Interest bearing liabilities (current)	25	-	-	-	(1,082.1)	-	(1,082.1)
Interest bearing liabilities (non-current)	30	-	-	-	(683.7)	-	(683.7)
		1,537.2	**4.9**	**-**	**(3,055.3)**	**-**	**(1,513.2)**

3 Financial risk management (continued)

Parent - 30 June 2009	Notes	**Loans and receivables**	**Derivative Instruments** Designated as hedges	**Derivative Instruments** Held for trading	**Financial liabilities at amortised cost**	**Available-for-sale financial assets**	**Total carrying amount**
		$M	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets							
Receivables (current)	12	3,224.4	-	-	-	-	3,224.4
Financial liabilities							
Payables (current)	24	-	-	-	(280.9)	-	(280.9)
Interest bearing liabilities (current)	25	-	-	-	(2,342.8)	-	(2,342.8)
Interest bearing liabilities (non-current)	30	-	-	-	(102.3)	-	(102.3)
		3,224.4	**-**	**-**	**(2,726.0)**	**-**	**498.4**

Parent - 30 June 2008	Notes	**Loans and receivables**	**Derivative Instruments** Designated as hedges	**Derivative Instruments** Held for trading	**Financial liabilities at amortised cost**	**Available-for-sale financial assets**	**Total carrying amount**
		$M	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets							
Receivables (current)	12	2,230.5	-	-	-	-	2,230.5
Receivables (non-current)	16	0.9	-	-	-	-	0.9
Financial liabilities							
Payables (current)	24	-	-	-	(411.2)	-	(411.2)
Interest bearing liabilities (current)	25	-	-	-	(2,326.3)	-	(2,326.3)
Interest bearing liabilities (non-current)	30	-	-	-	(150.0)	-	(150.0)
		2,231.4	**-**	**-**	**(2,887.5)**	**-**	**(656.1)**

The Group's and Parent's investments and obligations expose it to market, liquidity and credit risks. The nature of these risks and the policies the Group and Parent has for controlling them and any concentrations of exposure are discussed as follows.

3 Financial risk management (continued)

Financial risk management

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

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

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

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

(a) Market risk

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

(i) Interest rate risk

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

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

Floating interest rates attached to the Group's and Parent's financial assets and liabilities give rise to cash flow interest rate risk. Any changes in the current market rate will affect the cash flows payable on floating rate interest bearing assets and liabilities and hence impact the Group's and Parent's profit (loss) after tax.

Sensitivity disclosure analysis

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

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Financial assets				
Cash and cash equivalents	**369.2**	44.1	**1.5**	0.1
Receivables - related parties	**-**	-	**2,721.2**	1,312.2
	369.2	44.1	**2,722.7**	1,312.3
Financial liabilities				
Interest bearing liabilities - external	**174.5**	1,231.0	**-**	-
Interest bearing liabilities - related parties	**-**	-	**2,295.0**	2,284.2
Net exposure	**194.7**	(1,186.9)	**427.7**	(971.9)

3 Financial risk management (continued)

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

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Consolidated				
+ 50 basis points	**0.7**	(4.2)	**0.7**	(4.2)
- 50 basis points	**(0.7)**	4.2	**(0.7)**	4.2
Parent				
+ 50 basis points	**1.5**	(3.4)	**1.5**	(3.4)
- 50 basis points	**(1.5)**	3.4	**(1.5)**	3.4

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

The net proceeds from the May and June 2009 fully underwritten rights issue of $1,360M was used to repay floating rate borrowings with the remainder held as cash at the close of the period.

(ii) Currency risk

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

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

3 Financial risk management (continued)

The Group's and Parent's exposure to its non-functional currency USD assets and liabilities that are not designated as net investment hedges are as follows:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Financial assets				
Cash and cash equivalents	**5.1**	0.8	**-**	-
Trade and other receivables	**90.8**	314.6	**28.4**	112.3
	95.9	315.4	**28.4**	112.3
Financial liabilities				
Trade and other payables	**13.5**	23.6	**0.2**	9.1
Interest bearing liabilities	**870.7**	1,124.9	**-**	-
	884.2	1,148.5	**0.2**	9.1
Net exposure	**(783.2)**	(833.1)	**28.2**	103.2

This exposure for the Group does not reflect the natural hedge of USD assets against USD interest bearing liabilities of AUD 805M (2008: AUD 959M).

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

Sensitivity disclosure analysis

The table below summarises the impact of +/- 15% (2008: +/- 10%) weakening/strengthening of the AUD against the USD on the Group and Parent's post tax profit for the year and on equity. The analysis is based on the assumption that the AUD has weakened/strengthened by 15% with all other variables held constant.

A sensitivity of 15% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historical basis.

	Post-tax profit higher (lower)		**Equity higher (lower)**	
Judgement of reasonably possible movements:	**2009**	**2008**	**2009**	**2008**
	$M	$M	$M	$M
Consolidated				
AUD/USD +15% (+10%)	**71.8**	52.7	**71.8**	52.7
AUD/USD -15% (-10%)	**(97.2)**	(64.5)	**(97.2)**	(64.5)
Parent				
AUD/USD +15% (+10%)	**(2.6)**	(6.6)	**(2.6)**	(6.6)
AUD/USD -15% (-10%)	**3.5**	8.0	**3.5**	8.0

3 Financial risk management (continued)

(iii) Other price risk

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

The Group takes a portfolio approach to price risk management. Hedging of price risks is undertaken infrequently due to the inherent limitations in being able to materially reduce volatility in earnings and cash flow. The primary limitation is that the Group's most significant 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 is likely to have an immaterial effect on reducing cash flow at risk, as steel prices, the primary driver of cash flows, would remain unhedged.

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

The Group and when applicable, the parent entity, has entered into hedges to manage exposure to fluctuations in zinc and electricity prices (New Zealand operations) in accordance with the Group's financial risk management policies. These hedges have been designated as cash flow hedges.

The zinc hedge program undertaken by the Parent was completed in June 2008. The electricity hedge program undertaken by New Zealand Steel was completed in April 2009 (note 14).

(b) Liquidity risk

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

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

The Group's and Parent's exposure to liquidity risk is not significant based on the $1,360M net proceeds raised from the fully underwritten rights issue in May and June 2009, available funding facilities and cash flow forecasts. There are also no significant concentrations of liquidity risk.

Contractual maturity analysis
The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities at 30 June 2008 and 30 June 2009. The amounts disclosed represent undiscounted, contractual cash flows for the respective obligations in respect of upcoming fiscal years and therefore do not equate to the values shown in the balance sheet.

Consolidated - 30 June 2009

	Contractually maturing in:						
	less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**>5 years**	**Total**
	$M	$M	$M	$M	$M	$M	$M
Payables (current & non-current)	939.8	11.3	-	-	-	8.6	959.7
Interest bearing liabilities (current & non-current)	315.2	123.5	221.4	41.0	41.0	751.4	1,493.5
	1,255.0	134.8	221.4	41.0	41.0	760.0	2,453.2

3 Financial risk management (continued)

Consolidated - 30 June 2008

	Contractually maturing in:						
	less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**>5 years**	**Total**
	$M	$M	$M	$M	$M	$M	$M
Payables (current & non-current)	1,282.5	0.5	-	-	-	6.5	1,289.5
Interest bearing liabilities (current & non-current)	1,153.6	103.2	102.5	369.5	12.1	226.6	1,967.5
	2,436.1	103.7	102.5	369.5	12.1	233.1	3,257.0

Parent - 30 June 2009

	Contractually maturing in:						
	less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**>5 years**	**Total**
	$M	$M	$M	$M	$M	$M	$M
Payables (current & non-current)	280.9	-	-	-	-	-	280.9
Interest bearing liabilities (current & non-current)	2,360.2	64.7	48.9	-	-	-	2,473.8
	2,641.1	64.7	48.9	-	-	-	2,754.7

Parent - 30 June 2008

	Contractually maturing in:						
	less than 1 year	**1 - 2 years**	**2 - 3 years**	**3 - 4 years**	**4 - 5 years**	**>5 years**	**Total**
	$M	$M	$M	$M	$M	$M	$M
Payables (current & non-current)	411.2	-	-	-	-	-	411.2
Interest bearing liabilities (current & non-current)	2,349.4	64.7	64.7	48.9	-	-	2,527.7
	2,760.6	64.7	64.7	48.9	-	-	2,938.9

(c) Credit risk

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

To manage this risk, the Group and Parent:

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

The maximum exposure of the Group's and Parent's credit risk is represented by the carrying amount of the financial assets it holds (without taking account of the value of any collateral obtained), reduced by the effects of any netting arrangements with financial institution counterparties. As at 30 June 2009 and 30 June 2008, the Group and Parent entity held minimal amounts of collateral as security relating to any of their financial assets.

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

3 Financial risk management (continued)

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

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

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

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

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

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

(ii) Renegotiations and amounts past due and not impaired
The Group and Parent entity do not typically renegotiate the terms of trade receivables. However, should a renegotiation occur, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 30 June 2009 (30 June 2008: Nil) for the Group and Parent.

With respect to the trade receivables which are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 12 and 16 for impairment losses recognised for the period.

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

(d) Fair value

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

The fair value of financial instruments traded in active markets, such as derivatives, is based on quoted market bid prices at the balance sheet date. The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) are determined using discounted cash flows. The fair value of forward commodity contracts is determined using forward market rates at the balance sheet date. Forward commodity contracts have been classified as current or non-current depending on the applicable contractual maturities.

3 Financial risk management (continued)

The fair value of financial assets and financial liabilities approximates their carrying value with the exception of the following:

Group	**30 June 2009** Carrying amount $M	**30 June 2009** Fair value $M	30 June 2008 Carrying amount $M	30 June 2008 Fair value $M
Non-traded financial assets				
Other receivables	**15.7**	**17.7**	20.0	21.9
Non-traded financial liabilities				
Other loans	**953.5**	**1,103.1**	541.1	595.4
Net asset (liability)	**(937.8)**	**(1,085.4)**	(521.1)	(573.5)
Parent entity				
Non-traded financial liabilities				
Other loans	**150.1**	**169.1**	192.0	209.8
Net asset (liability)	**(150.1)**	**(169.1)**	(192.0)	(209.8)

None of the above financial assets or liabilities are readily traded on organised markets in standardised form. The fair value of interest bearing financial liabilities where no market exists is based upon discounting the expected future cash flows by the current market interest rates on liabilities with similar risk profiles that are available to the Group. Further, if changing one or more of the assumptions to a reasonably possible alternative when estimating fair value using a valuation technique would not alter fair value significantly.

4 Critical accounting estimates and judgements

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

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

(i) Estimated impairment of cash-generating units, including goodwill
The Group tests at least annually whether goodwill, other intangible assets with indefinite useful lives and other assets have suffered any impairment in accordance with the accounting policy stated in note 1(r). All cash-generating units (CGUs) were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined based on value-in-use (VIU) calculations under the assumptions contained in note 22(b).

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

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

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

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

(v) Share-based payment transactions
The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at grant date. The fair value is determined by an external valuer using a binomial model. These calculations require assumptions to be made as per note 1(w)(iv) and illustrated in note 50.

(vi) Defined benefit plans
Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 33.

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

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

5 Segment information

(a) Description of segments

The Company has early adopted AASB 8 *Operating Segments*. The new standard requires a 'management approach' under which segment information is prepared on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer for BlueScope Steel Limited.

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

Coated & Industrial Products Australia
Coated & Industrial Products Australia includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of approximately 5.2 million tonnes of crude steel. The Port Kembla Steelworks is the leading supplier of flat steel in Australia, manufacturing slab, hot rolled coil and plate products. The segment also comprises two main metallic coating facilities located in Springhill, New South Wales and Western Port, Victoria together with steel paint facilities in western Sydney and Acacia Ridge, Queensland. Steel from the Port Kembla Steelworks is processed by these facilities to produce a range of COLORBOND® pre-painted steel and ZINCALUME® zinc/aluminium branded products. Export offices are also incorporated within this segment to trade steel manufactured at these facilities on global markets.

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

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

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

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

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

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

5 Segment information (continued)

(a) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for operating segments for the year ended 30 June 2009 is as follows:

30 June 2009	Coated & Industrial Products Australia $M	Australian Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	5,290.7	2,120.7	694.9	1,542.8	-	2,188.8	0.2	11,838.1
Intersegment revenue	(1,375.7)	(6.2)	(96.3)	(54.8)	-	(2.8)	-	(1,535.8)
Revenue from external customers	**3,915.0**	**2,114.5**	**598.6**	**1,488.0**	**-**	**2,186.0**	**0.2**	**10,302.3**
Segment EBIT	**206.3**	**(23.3)**	**65.1**	**(94.1)**	**(58.0)**	**(93.2)**	**14.2**	**17.0**
Depreciation and amortisation	195.9	31.2	30.2	49.5	-	57.3	-	364.1
Impairment (write-back) of non-current assets	3.1	8.1	19.8	36.4	2.3	-	(5.6)	64.1
Share of profit (loss) from associates and joint venture partnerships	-	-	2.8	(6.8)	(56.4)	4.1	-	(56.3)
Total segment assets	4,187.3	1,238.5	534.0	1,074.0	182.6	1,272.5	4.5	8,493.4
Total assets includes:								
Investments in associates and joint venture partnerships	-	3.0	5.9	69.2	180.0	4.3	-	262.4
Additions to non-current assets (other than financial assets and deferred tax)	576.4	24.8	31.7	63.7	-	62.6	-	759.2
Total segment liabilities	865.5	312.6	187.7	241.1	-	353.9	18.9	1,979.7

30 June 2008	Coated & Industrial Products Australia $M	Australian Distribution & Solutions $M	New Zealand & Pacific Steel Products $M	Coated & Building Products Asia $M	Hot Rolled Products North America $M	Coated & Building Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	6,041.7	2,201.8	724.8	1,569.9	-	1,407.1	3.2	11,948.5
Intersegment revenue	(1,316.7)	(2.4)	(131.1)	(34.9)	-	(2.2)	-	(1,487.3)
Revenue from external customers	**4,725.0**	**2,199.4**	**593.7**	**1,535.0**	**-**	**1,404.9**	**3.2**	**10,461.2**
Segment EBIT	**986.3**	**45.3**	**92.7**	**(148.4)**	**105.2**	**90.1**	**(3.0)**	**1,168.2**
Depreciation and amortisation	207.1	34.9	30.1	48.8	-	35.6	-	356.5
Impairment (write-back) of non-current assets	-	22.8	(8.6)	224.4	1.4	-	-	240.0
Gain (loss) on disposal of subsidiary	-	-	-	(0.6)	-	-	-	(0.6)
Share of profit (loss) from associates and joint venture partnerships	-	0.2	4.2	(3.7)	107.9	2.8	-	111.4
Total segment assets	3,904.4	1,491.4	600.1	1,210.5	183.0	1,314.8	0.3	8,704.5
Total assets includes:								
Investments in associates and joint venture partnerships	-	3.0	4.3	61.8	180.8	4.5	-	254.4
Additions to non-current assets (other than financial assets and deferred tax)	238.0	584.8	46.2	45.3	-	754.9	1.3	1,670.5
Total segment liabilities	1,063.2	452.9	254.2	278.4	-	434.0	44.2	2,526.9

5 Segment information (continued)

(b) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Australia	**5,130.2**	5,492.7	**3,556.9**	3,198.9
New Zealand	**390.0**	445.9	**317.5**	331.0
Asia	**1,878.7**	1,899.8	**698.6**	616.2
North America	**2,374.7**	1,991.0	**1,112.9**	974.6
Other	**528.7**	631.8	**4.7**	5.0
	10,302.3	10,461.2	**5,690.6**	5,125.7

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

Segment non-current assets excludes financial instruments and deferred tax assets and are allocated based on where the assets are located.

(c) Other segment information

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

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

	Consolidated	
	2009	2008
	$M	$M
Total segment revenue	**11,838.1**	11,948.5
Intersegment eliminations	**(1,535.8)**	(1,487.3)
Revenue attributable to discontinued operations	**(0.2)**	(3.2)
Other revenue (note 6)	**26.6**	33.8
Total revenue from continuing operations	**10,328.7**	10,491.8

(ii) Segment EBIT

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

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

	Consolidated	
	2009	2008
	$M	$M
Total segment EBIT	**17.0**	1,168.2
Intersegment eliminations	**126.4**	(116.5)
Interest income	**6.2**	6.7
Finance costs	**(134.4)**	(131.2)
EBIT (gain) loss attributable to discontinued operations	**(14.2)**	3.0
Corporate operations	**(128.3)**	10.6
Profit (loss) before income tax from continuing operations	**(127.3)**	940.8

5 Segment information (continued)

(iii) Segment assets

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

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

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

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2009	2008
	$M	$M
Segment assets	**8,493.4**	8,704.5
Intersegment eliminations	**(109.5)**	(422.7)
Unallocated:		
Deferred tax assets	**79.5**	99.4
Cash	**369.2**	44.1
Corporate operations	**32.0**	40.9
Total assets as per the balance sheet	**8,864.6**	8,466.2

(iv) Segment liabilities

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

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

Reportable segment liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2009	2008
	$M	$M
Segment liabilities	**1,979.7**	2,526.9
Intersegment eliminations	**(101.4)**	(288.6)
Unallocated:		
Current interest bearing liabilities	**236.7**	1,082.1
Non-current interest bearing liabilities	**888.1**	683.7
Current tax liabilities	**2.7**	156.3
Deferred tax liabilities	**143.2**	308.4
Accrued borrowing costs payable	**12.8**	11.6
Corporate operations	**39.5**	44.0
Total liabilities as per the balance sheet	**3,201.3**	4,524.4

6 Revenue

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
From continuing operations				
Sales revenue				
Sale of goods	**10,283.0**	10,390.9	**2,888.1**	3,162.1
Services	**19.1**	67.1	**-**	-
	10,302.1	10,458.0	**2,888.1**	3,162.1
Other revenue				
Interest external	**3.7**	3.7	**0.1**	0.2
Interest related parties	**2.5**	3.0	**68.3**	63.9
Dividends related parties	**-**	-	**2.3**	601.7
Management and guarantee fees related parties	**-**	-	**15.1**	4.9
Royalties external	**1.8**	1.2	**0.1**	0.4
Royalties related parties	**-**	-	**-**	8.3
Rental external	**6.8**	6.9	**-**	-
Rental related parties	**-**	-	**0.1**	0.1
Other revenue	**11.8**	19.0	**0.8**	2.0
	26.6	33.8	**86.8**	681.5
Total revenue from continuing operations	**10,328.7**	10,491.8	**2,974.9**	3,843.6
From discontinued operations				
Sales revenue	**0.2**	3.2	**-**	-
Other revenue	**-**	-	**-**	-
Total revenue from discontinuing operations	**0.2**	3.2	**-**	-

7 Other income

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Net foreign exchange gains	**25.3**	4.7	**18.4**	-
Defined benefit superannuation curtailment (a)	**8.6**	-	**-**	-
Net gain on sale of available-for-sale financial assets (b)	**-**	128.0	**-**	-
Net gain on liquidation of subsidiary (c)	**-**	5.1	**-**	-
Net gain on foreign currency derivatives not qualifying as hedges (note 14)	**24.8**	-	**-**	-
Insurance recoveries	**1.6**	1.3	**-**	-
Litigation settlement	**0.2**	-	**0.2**	-
	60.5	139.1	**18.6**	-

(a) Defined benefit superannuation curtailment

This gain arises from employee benefit changes from restructuring undertaken in the Group's North American operations.

(b) Net gain on sale of available-for-sale financial assets

On 3 August 2007 BlueScope Steel Limited acquired the distribution business of Smorgon Steel Limited. As part of the consideration for this acquisition the 179,124,278 Smorgon Steel Limited shares, previously acquired by the Company for $319.3M and accounted for as an available-for-sale financial asset, were sold at $2.50 per share. The pre-tax gain on the disposal of the Smorgon Steel Limited shares was $128M.

(c) Net gain on liquidation of subsidiary

The gain represents the write-back of Butler Europe Limited's defined superannuation liability. Butler Europe Limited was liquidated in the prior period.

8 Expenses

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Profit before income tax includes the following specific expenses for continuing operations:				
Depreciation and amortisation				
Depreciation (note 20)	**325.3**	318.3	**81.9**	80.1
Amortisation (note 22)	**39.4**	38.8	**6.1**	3.9
Total depreciation and amortisation	**364.7**	357.1	**88.0**	84.0
Impairment losses - financial assets				
Loans and receivables				
- trade receivables (note 12(d))	**14.7**	5.6	**1.5**	0.2
- related parties (note 12(d))	**-**	-	**21.8**	17.2
Reversal of impairment loss	**(1.0)**	(2.8)	**-**	(0.1)
Total impairment of financial assets	**13.7**	2.8	**23.3**	17.3
Impairment of non-current assets				
Western Port fire (a)	**9.0**	-	**9.0**	-
China plant and equipment (b)	**11.1**	-	**-**	-
New Zealand Steel capital project cancellations (c)	**20.8**	-	**-**	-
China coating line (d)	**24.9**	189.6	**-**	6.7
Vietnam coating line	**-**	34.8	**-**	-
Lysaght Vietnam (e)	**0.4**	-	**-**	-
Australian Distribution & Solutions (f)	**8.1**	22.8	**-**	10.5
Castrip joint venture (note 46(c))	**2.3**	1.4	**-**	-
Lysaght - Fiji	**-**	2.8	**-**	-
Reversal of impairment loss (g)	**(6.8)**	(11.4)	**(5.9)**	-
Controlled entity investments	**-**	-	**141.6**	(2.0)
Total impairment of non-current assets	**69.8**	240.0	**144.7**	15.2
Finance costs				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**132.5**	132.1	**169.8**	206.2
Ancillary finance charges	**12.4**	2.0	**0.4**	-
Present value discount unwind (note 32)	**7.9**	8.2	**2.8**	2.1
	152.8	142.3	**173.0**	208.3
Amount capitalised	**(18.4)**	(11.1)	**-**	(1.8)
Finance costs expensed	**134.4**	131.2	**173.0**	206.5
Net loss on disposal of property, plant and equipment	**4.6**	2.6	**0.1**	1.4
Net loss on held-for-trading financial assets at fair value through profit or loss	**-**	2.7	**-**	-
Net loss on disposal of subsidiary	**-**	0.6	**-**	-
Rental expense relating to operating leases	**66.4**	58.2	**20.1**	19.7
Net foreign exchange losses	**-**	-	**-**	8.5
Defined contribution superannuation expense	**85.2**	68.6	**28.2**	25.8
Research and development expense	**41.5**	32.9	**35.7**	26.3
Restructure provision charges (note 32)	**27.0**	14.7	**3.3**	9.1
Employee redundancy provision charges	**44.9**	24.5	**24.0**	7.0

8 Expenses (continued)

(a) Impairment - Western Port fire
In May 2009, a fire occurred at the Western Port plant Pickle Line Building forming part of the Coated & Industrial Products Australia segment. The principal damage from the fire was limited to the four pickle tanks and to the roof of the building. Other equipment in the Pickle Line Building was largely untouched by the fire. An impairment charge of $9.0M has been booked on plant and equipment destroyed or damaged by the fire. As the damage and operational losses incurred are below the Group's insurance deductible limit there is no insurance recovery.

(b) Impairment - China plant and equipment
Impairment write-downs of $11.1M were recorded in connection with China's steel fabricated panels business at Langfang which forms part of the Coated & Building Products Asia segment. The write-down was due to lower than expected demand for the product. Impairment write-downs have been allocated to the underlying plant machinery and equipment of the business.

(c) Impairment - New Zealand Steel capital project cancellations
New Zealand Steel forms part of the New Zealand & Pacific Steel Products segment and has written off previously capitalised feasibility costs in relation to capital projects not proceeding due to the current decline in the economic climate. These feasibility costs were previously capitalised within plant, machinery and equipment.

(d) Impairment - China coating line
A second impairment write-down of $24.9M was recorded in connection with the metallic coating and painting facility located in Suzhou, China. This facility forms part of the Coated & Buildings Products Asia segment. The write-down is due to less favourable coated margins than anticipated when assessed for impairment in the prior period.

(e) Impairment - Lysaght Vietnam
In April 2009, Lysaght Vietnam recognised a $0.4M impairment against property, plant and equipment following the closure of their Hatay production facility. Lysaght Vietnam forms part of the Coated & Building Products Asia segment.

(f) Impairment - Australian Distribution & Solutions
Impairment write-downs of $8.1M were recorded following the restructure of various Australian Distribution & Solutions businesses. The $8.1M impairment expense represents a $3.7M goodwill write-off in addition to impaired plant and machinery ($3.4M), computer software ($0.6M) and inventory ($0.4M).

(g) Reversal of impairment loss
In November 2008, Lysaght Pacific (Fiji) recognised an impairment reversal for $0.9M against property, plant and equipment after securing a contract of sale for a portion of the property impaired in the previous period. This reversal falls within the New Zealand & Pacific Steel Products segment.

As a result of the Western Port fire (note 8(a)), previously impaired pickle tanks were installed resulting in a $5.9M impairment reversal which has been recorded in the Coated & Industrial Products Australia segment.

9 Income tax expense

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
(a) Income tax expense (benefit)				
Current tax	**23.3**	323.0	**12.1**	(68.8)
Deferred tax	**(60.5)**	10.4	**(124.0)**	(11.9)
Adjustments for current tax of prior periods	**(9.4)**	(7.8)	**(1.0)**	(4.9)
	(46.6)	325.6	**(112.9)**	(85.6)
Income tax expense (benefit) is attributable to:				
Profit (loss) from continuing operations	**(48.2)**	326.5	**(112.9)**	(85.6)
Profit (loss) from discontinued operations	**1.6**	(0.9)	**-**	-
Aggregate income tax expense	**(46.6)**	325.6	**(112.9)**	(85.6)
Deferred income tax (benefit) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 21)	**47.3**	21.8	**(115.1)**	-
(Decrease) increase in deferred tax liabilities (note 31)	**(122.2)**	36.7	**(8.9)**	(11.9)
Investments in subsidiaries (note 35(a))	**14.4**	(48.1)	**-**	-
	(60.5)	10.4	**(124.0)**	(11.9)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit (loss) from continuing operations before income tax expense	**(127.3)**	940.8	**(490.5)**	354.1
Profit (loss) from discontinuing operations before income tax expense (note 10(b))	**13.9**	(2.9)	**-**	-
	(113.4)	937.9	**(490.5)**	354.1
Tax at the Australian tax rate of 30% (2008: 30%)	**(34.0)**	281.4	**(147.1)**	106.2
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	**0.8**	2.3	**0.2**	1.0
Manufacturing credits	**(0.1)**	(3.9)	**(0.1)**	(0.1)
Research and development incentive	**(6.8)**	(5.4)	**(1.6)**	(2.0)
Utilisation of unbooked tax losses	**(2.2)**	(2.8)	**-**	-
Unrecognised deferred tax assets now recognised	**(14.7)**	(17.5)	**(12.6)**	(11.7)
Temporary differences and tax losses not recognised	**12.3**	37.5	**-**	-
Non-assessable dividends	**-**	-	**(0.7)**	(180.5)
Non taxable (gains) losses	**5.1**	0.2	**-**	2.0
Exempt income	**(1.2)**	(4.5)	**-**	-
Share of net profits (losses) of associates	**1.2**	1.1	**-**	-
Capital losses not recognised	**-**	-	**42.5**	-
Entertainment	**1.3**	1.4	**0.3**	0.5
Share-based payments	**2.5**	(1.6)	**3.4**	0.5
Sundry items	**5.0**	3.8	**3.8**	3.4
	(30.8)	292.0	**(111.9)**	(80.7)
Difference in overseas tax rates	**(6.4)**	41.4	**-**	-
Adjustments for current tax of prior periods	**(9.4)**	(7.8)	**(1.0)**	(4.9)
Income tax expense (benefit)	**(46.6)**	325.6	**(112.9)**	(85.6)

9 Income tax expense (continued)

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - debited (credited) directly to equity (notes 21 and 31)	**(97.4)**	(81.3)	**(30.1)**	(10.3)
Investments in subsidiaries (note 35(a))	**(14.4)**	48.1	**-**	-
	(111.8)	(33.2)	**(30.1)**	(10.3)

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(d) Tax losses				
Unused tax losses for which no deferred tax asset has been recognised	**122.3**	60.2	**-**	-
Potential tax benefit	**19.3**	9.5	**-**	-

The Group has tax losses arising in Vietnam of $31.1M (2008: $16.2M) and China of $71.5M (2008: $35.7M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax company in which they are generated.

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(e) Unrecognised temporary differences				
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	**778.0**	601.2	**21.1**	35.3
Unrecognised deferred tax liabilities relating to the above temporary differences	**126.0**	98.1	**3.2**	6.4

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

At 30 June 2009, the Group has $52.2M (2008: $66.8M), BlueScope Steel Ltd $45.0M (2008: $57.6M), of deferred income tax assets which have not been recognised as they arose from the initial recognition of a liability in a transaction that:

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

Unrecognised deferred tax assets for the Group totalling $128.0M (2008: $158.3M) have not been recognised as they are not probable of realisation.

At 30 June 2009, the Group has $4.7M (2008: $6.0M) of deferred income tax liabilities which have not been recognised as they arose from the initial recognition of an asset in a transaction that:

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

9 Income tax expense (continued)

(f) Tax consolidation legislation

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

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

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

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

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. Intercompany receivables of $48.2M (2008: $256.3M) and intercompany payables of $47.0M (2008: $17.7M) of BlueScope Steel Limited have been recognised as a tax consolidation adjustment.

10 Discontinued operations

(a) Description

In June 2007, Coated & Building Products North America sold its Vistawall division, which manufactured and sold extruded aluminium and glass products for the building and construction sector.

In June 2006, the Company announced its intention to close its loss-making tinplate manufacturing operation, which was the major component of its Packaging Products cash-generating unit. The operation was closed in June 2007.

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

The financial information for these operations identified as discontinued operations is set out below and is reported in this financial report as discontinued operations in conjunction with any gains or losses on non-current assets classified as held for sale that do not individually qualify as discontinued operations (refer to note 1(n)).

(b) Financial performance of discontinued operations

The results of discontinued operations for the year until disposal are presented below.

	Consolidated							
	2009				2008			
	Vistawall $M	**Packaging $M**	**Lysaght Taiwan $M**	**Total $M**	Vistawall $M	Packaging $M	Lysaght Taiwan $M	Total $M
Revenue	**-**	**-**	**0.2**	**0.2**	-	2.9	0.3	3.2
Other income	**-**	**-**	**3.1**	**3.1**	-	-	-	-
Expenses other than finance costs	**-**	**(0.3)**	**-**	**(0.3)**	-	(2.9)	0.3	(2.6)
Unutilised provisions written back	**-**	-	**5.6**	**5.6**	-	-	-	-
Impairment reversal (i)	**-**	**5.6**	**-**	**5.6**	-	-	-	-
Finance costs	**-**	**-**	**(0.3)**	**(0.3)**	-	-	(0.1)	(0.1)
Profit (loss) before income tax	**-**	**5.3**	**8.6**	**13.9**	-	-	0.5	0.5
Income tax (expense) benefit	**-**	**(1.6)**	**-**	**(1.6)**	-	-	(0.4)	(0.4)
Profit (loss) after income tax from discontinued operations	**-**	**3.7**	**8.6**	**12.3**	-	-	0.1	0.1
Gain (loss) on disposal before income tax	**-**	**-**	**-**	**-**	(3.4)	-	-	(3.4)
Income tax expense	**-**	**-**	**-**	**-**	1.3	-	-	1.3
Gain on disposal after income tax	**-**	**-**	**-**	**-**	(2.1)	-	-	(2.1)
Profit (loss) from discontinued operations	**-**	**3.7**	**8.6**	**12.3**	(2.1)	-	0.1	(2.0)

(i) Reversal of impairment loss

In March 2009, Packaging Products recognised an impairment reversal for $5.6M against property, plant and equipment after securing a contract for the sale of the previously impaired No.2 Temper Mill.

10 Discontinued operations (continued)

(c) Cash flow information - discontinued operations

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

	Consolidated							
	2009				2008			
	Vistawall $M	**Packaging $M**	**Lysaght Taiwan $M**	**Total $M**	Vistawall $M	Packaging $M	Lysaght Taiwan $M	Total $M
Net cash inflow (outflow) from operating activities	**-**	**(10.3)**	**(11.3)**	**(21.6)**	-	23.8	(0.1)	23.7
Net cash inflow (outflow) from investing activities	**-**	**1.6**	**-**	**1.6**	-	2.8	-	2.8
Net cash inflow (outflow) from financing activities	**-**	**8.7**	**11.3**	**20.0**	-	(26.6)	(0.2)	(26.8)
Net increase in cash generated by the operation	**-**	**-**	**-**	**-**	-	-	(0.3)	(0.3)

11 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Cash at bank and on hand	**347.3**	43.0	**1.5**	0.1
Deposits at call	**21.9**	1.1	**-**	-
	369.2	44.1	**1.5**	0.1

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

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

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Balances as above	**369.2**	44.1	**1.5**	0.1
Bank overdrafts (note 25)	**(5.4)**	(24.5)	**-**	-
Balances per statement of cash flows	**363.8**	19.6	**1.5**	0.1

(b) Risk exposure

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

(c) Cash at bank and on hand

The net proceeds from the May and June 2009 fully underwritten rights issue of $1,360M was used to repay floating rate borrowings with the remainder held as cash at the close of the period.

12 Current assets - Receivables

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Trade receivables	**938.3**	1,440.1	**201.0**	297.2
Provision for impairment of receivables	**(34.8)**	(24.0)	**(3.5)**	(2.7)
	903.5	1,416.1	**197.5**	294.5
Loans to related parties	**5.0**	4.4	**2,969.6**	1,556.3
Provision for impairment of receivables	**-**	-	**(40.4)**	(18.6)
	5.0	4.4	**2,929.2**	1,537.7
Related party trade receivables	**-**	-	**44.4**	138.6
Other receivables	**68.3**	76.8	**5.1**	3.4
Tax related amounts receivable from wholly-owned entities *	**-**	-	**48.2**	256.3
	976.8	1,497.3	**3,224.4**	2,230.5

* Refer to note 9(f) for details of tax sharing and compensation agreements.

(a) Trade receivables

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

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

For terms and conditions relating to related party trade receivables and loans to related parties refer to note 41.

(c) Risk exposure

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

(d) Provision for impairment of receivables

A provision for impairment of receivables is made when there is objective evidence that a receivable is impaired. The loss has been included in 'other expenses' in the income statement. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the debtor is impaired. When an impaired debtor becomes uncollectible in a subsequent period, it is written-off against the allowance account.

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Opening balance	**24.0**	23.1	**2.7**	3.6
Additional provision recognised	**14.7**	5.6	**1.5**	0.2
Amounts used during the period	**(6.1)**	(3.4)	**(0.7)**	(1.0)
Unutilised provision written back	**(1.0)**	(2.8)	**-**	(0.1)
Provision acquired (disposed)	**-**	2.6	**-**	-
Exchange fluctuations	**3.2**	(1.1)	**-**	-
	34.8	24.0	**3.5**	2.7

12 Current assets - Receivables (continued)

Movements in the provision for impairment of loans to related parties are as follows:

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Opening balance	**-**	-	**18.6**	1.4
Additional provision recognised	**-**	-	**21.8**	17.7
Amounts used during the period	**-**	-	**-**	-
Unutilised provisions written back	**-**	-	**-**	(0.5)
	-	-	**40.4**	18.6

(e) Past due but not impaired

The ageing analysis of trade receivables for amounts not impaired and past due for the Group and the Parent is as follows:

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Within 30 days	**131.0**	202.8	**11.9**	16.4
31 to 60 days	**42.8**	53.7	**2.3**	3.8
61 to 90 days	**13.6**	15.4	**1.2**	1.2
Over 90 days	**14.7**	4.8	**3.7**	3.7
	202.1	276.7	**19.1**	25.1

With respect to the trade receivables that are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 12(d) and 16(a) for impairment losses recognised during the period.

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

13 Current assets - Inventories

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Raw materials and stores				
- at cost	**343.3**	434.2	**67.0**	61.9
- at net realisable value	**17.2**	1.4	**-**	-
	360.5	435.6	**67.0**	61.9
Work in progress				
- at cost	**481.0**	358.7	**128.3**	153.1
- at net realisable value	**184.0**	15.2	**9.7**	10.9
	665.0	373.9	**138.0**	164.0
Finished goods				
- at cost	**427.5**	663.0	**106.3**	130.5
- at net realisable value	**64.7**	25.7	**7.5**	21.6
	492.2	688.7	**113.8**	152.1
Spares and other				
- at cost	**109.9**	101.9	**11.1**	11.4
- at net realisable value	**1.3**	-	**-**	-
	111.2	101.9	**11.1**	11.4
	1,628.9	1,600.1	**329.9**	389.4

(a) Inventory expense

Current and non-current inventories recognised as an expense during the year ended 30 June 2009 amounted to $6,211.9M (2008: $5,390.7M) for the consolidated group and $2,123.3M (2008: $2,100.1M) for the Parent.

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2009 amounted to $191.6M (2008: $5.0M) for the Group and $12.6M (2008: $10.9M) for the Parent. The expense has been included in 'raw materials and consumables used' in the income statement (Group: $165.6M; and Parent: $12.6M) and in the equity share of net profits of joint-venture partnerships (Group: $26.0M).

14 Derivative financial instruments

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Current assets				
Forward electricity contracts - cash flow hedges (a)(i)	**-**	4.9	**-**	-
	-	4.9	**-**	-

(a) Instruments used by the Group

(i) Forward electricity contracts - cash flow hedges

The Group was party to derivative financial instruments in accordance with the Group's financial risk management policy (note 3) as a means of hedging exposure to electricity price fluctuations within New Zealand's steel making business. The existing electricity hedging program was completed upon maturity of the derivative financial instruments in April 2009. The electricity hedging program may recommence subject to market conditions. At 30 June 2008 the fair value of these derivative contracts was $4.9M.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. Upon maturity, the cumulative loss deferred in equity is adjusted against the initial amount recognised for electricity, which forms a component of inventory cost recognised in the balance sheet (refer to note 35). There was no material hedge ineffectiveness in the current or prior year.

14 Derivative financial instruments (continued)

(ii) Forward foreign exchange contracts - held for trading

During March 2009, the Group entered into two 12-month AUD/USD foreign exchange swaps aggregated to USD 100M at an average AUD/USD rate of 0.6374. USD funds received were used to repay the USD-denominated debt drawn under the loan note facility.

As a result of the proceeds raised from the May and June 2009 fully underwritten rights issue being used to repay debt, the foreign exchange swaps were no longer required and were closed out in June 2009 for a gain of $30.3M. The foreign exchange swaps were not accounted for as effective hedges and classified as foreign exchange swaps held for trading.

A $5.5M foreign exchange loss was incurred from hedging the expected NZD 250M sale proceeds from the incompleted sale of the Taharoa iron sands mine in New Zealand.

(b) Risk exposures

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

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

At 30 June 2009, BlueScope Steel Group has a net investment in New Zealand Steel Limited. Movements in the AUD/NZD result in fluctuations in the AUD equivalent of this investment. BlueScope Steel (Finance) Limited has borrowed NZD 1,356M (June 2008: NZD 1,370M) to hedge the net investment in New Zealand Steel Limited. On translation of the net investment from NZD to AUD, foreign exchange gains and losses are taken to the foreign currency translation reserve. Similarly, on translation of BlueScope Steel (Finance) Limited's NZD borrowings foreign exchange gains and losses are also taken to the foreign currency translation reserve to the extent that the hedge is effective. The hedge of this net investment is recorded in the foreign currency translation reserve net of tax (refer to note 35).

A USD 150M hedge of North Star BlueScope Steel through use of a USD 150M borrowing in BlueScope Steel (Finance) Limited was revoked in June 2009. A total of $13.6M net of tax foreign exchange losses reside in the foreign currency translation reserve and will be released to the profit and loss only upon any future disposal of North Star BlueScope Steel.

15 Current assets - Other

	Consolidated		**Parent**	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Deferred charges and prepayments	**54.4**	54.8	**5.3**	4.0

The carrying amount of deferred charges and prepayments approximates fair value.

16 Non-current assets - Receivables

	Consolidated		**Parent**	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Loans to related parties	**10.7**	15.7	**-**	-
Other receivables	**25.7**	24.2	**-**	0.9
	36.4	39.9	**-**	0.9

Further information relating to loans to key management personnel and related parties is set out in notes 37 and 41 respectively.

(a) Impaired receivables and receivables past due

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

16 Non-current assets - Receivables (continued)

(b) Fair values

The current and non-current loans to related parties accrues interest at a fixed interest rate. The fair value of this receivable using current interest rates is $17.7M (2008: $21.9M).

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

(c) Risk exposure

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

17 Non-current assets - Inventories

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Spares and other				
- at cost	**72.9**	59.7	**30.3**	21.7

For detail of inventory expense and net realisable value write-downs recognised during the period refer to note 13.

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Shares in associates (note 45)	**15.4**	13.8	**-**	-
Interest in joint venture partnerships (note 46)	**247.0**	240.6	**-**	-
	262.4	254.4	**-**	-

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

19 Non-current assets - Other financial assets

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Shares in subsidiaries (note 43)	**-**	-	**2,446.1**	2,585.9

Shares in subsidiaries are carried at cost less any impairment recognised.

20 Non-current assets - Property, plant and equipment

Consolidated	Land and buildings $M	Plant, machinery and equipment $M	Total $M
At 1 July 2007			
Cost	989.9	7,071.3	8,061.2
Accumulated depreciation and impairment	(367.9)	(4,022.6)	(4,390.5)
Net book amount	622.0	3,048.7	3,670.7
Year ended 30 June 2008			
Opening net book amount	622.0	3,048.7	3,670.7
Additions	22.9	436.9	459.8
Acquisition of subsidiaries / businesses	160.9	207.1	368.0
Depreciation charge	(31.1)	(287.2)	(318.3)
Disposals	(5.2)	(8.2)	(13.4)
Disposal of subsidiaries / businesses	-	(0.1)	(0.1)
Asset reclassifications	34.8	(45.5)	(10.7)
Impairment loss	(69.7)	(158.3)	(228.0)
Exchange variations/other	(34.0)	(86.7)	(120.7)
Closing net book amount	700.6	3,106.7	3,807.3
At 30 June 2008			
Cost	1,181.3	7,744.9	8,926.2
Accumulated depreciation and impairment	(480.7)	(4,638.2)	(5,118.9)
Net book amount	700.6	3,106.7	3,807.3

Consolidated	Land and buildings $M	Plant, machinery and equipment $M	Total $M
Year ended 30 June 2009			
Opening net book amount	700.6	3,106.7	3,807.3
Additions	28.8	710.6	739.4
Acquisition of subsidiaries / businesses	-	0.3	0.3
Acquisition fair value adjustments	-	(1.2)	(1.2)
Depreciation charge	(34.1)	(291.2)	(325.3)
Disposals	(15.9)	(13.8)	(29.7)
Asset reclassifications	5.5	(17.7)	(12.2)
Transfers to non-current assets held for sale (a)	(28.8)	-	(28.8)
Impairment loss	(8.5)	(48.6)	(57.1)
Exchange variations/other	64.5	104.4	168.9
Closing net book amount	712.1	3,549.5	4,261.6
At 30 June 2009			
Cost	1,252.0	8,504.7	9,756.7
Accumulated depreciation and impairment	(539.9)	(4,955.2)	(5,495.1)
Net book amount	712.1	3,549.5	4,261.6

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

Parent	Land and buildings $M	Plant, machinery and equipment $M	Total $M
At 1 July 2007			
Cost	250.5	1,734.8	1,985.3
Accumulated depreciation and impairment	(105.5)	(980.8)	(1,086.3)
Net book amount	145.0	754.0	899.0
Year ended 30 June 2008			
Opening net book amount	145.0	754.0	899.0
Additions	4.1	70.3	74.4
Depreciation charge	(6.9)	(73.2)	(80.1)
Disposals	(0.3)	(3.1)	(3.4)
Asset reclassifications	12.7	(24.8)	(12.1)
Impairment loss	-	(8.0)	(8.0)
Closing net book amount	154.6	715.2	869.8
At 30 June 2008			
Cost	292.4	1,920.4	2,212.8
Accumulated depreciation and impairment	(137.8)	(1,205.2)	(1,343.0)
Net book amount	154.6	715.2	869.8

Parent	Land and buildings $M	Plant, machinery and equipment $M	Total $M
Year ended 30 June 2009			
Opening net book amount	154.6	715.2	869.8
Additions	1.6	58.7	60.3
Depreciation charge	(6.9)	(75.0)	(81.9)
Disposals	-	(1.2)	(1.2)
Asset reclassifications	3.3	(14.6)	(11.3)
Transfers to non-current assets held for sale (a)	(6.8)	-	(6.8)
Impairment loss	-	(3.1)	(3.1)
Closing net book amount	145.8	680.0	825.8
At 30 June 2009			
Cost	290.8	1,946.7	2,237.5
Accumulated depreciation and impairment	(145.0)	(1,266.7)	(1,411.7)
Net book amount	145.8	680.0	825.8

(a) Assets held for resale

The Company is in the process of selling and leasing back 13 freehold land and buildings residing within the Coated & Industrial Products Australia and Australian Distribution & Solutions segments. The total written-down value of land and buildings to be sold and leased back as operating leases at 30 June 2009 is $26.2M (Parent $6.8M).

The Company is in the process of selling the No.2 Temper Mill from the discontinued Packaging Products division. At 30 June 2009, there is $2.6M of assets which form part of the sale agreement and have yet to be transferred to the vendor.

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

(b) Assets in the course of construction

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Land and buildings	**9.5**	3.6	**-**	0.2
Plant, machinery and equipment	**876.1**	481.5	**64.9**	89.5
Total assets in the course of construction	**885.6**	485.1	**64.9**	89.7

Assets in the course of construction includes major project expenditure for the No.5 Blast Furnace reline ($346M), Sinterplant upgrade ($132M) and steam generating assets and co-generation plant ($70M) at Port Kembla Steelworks and a second Metal Coating Line in Indonesia ($86M).

As announced on 16 July 2009, the No.5 Blast Furnace will be blown-in at the end of August 2009. The Sinter Plant upgrade project, which was undertaken in conjunction with the No.5 Blast Furnace Reline, was completed to hot commissioning on schedule in June 2009. The plant will now be brought up to a rate consistent with the requirements for the Blast Furnace operations. The upgrade will ultimately result in sinter production increasing by 1.1mtpa to 6.6mtpa with the increased capacity allowing for a lower cost mix of raw material input to ironmaking through an ability to reduce usage of iron ore pellets by up to 1mtpa.

At Port Kembla Steelworks, a study has been undertaken to replace ageing steam-producing assets. Steam is critical to production processes. The replacement of these assets creates a potential opportunity to lower indirect greenhouse gas emissions by incorporating a new co-generation plant. The proposed plant would use surplus gas from iron and steelmaking operations to produce electricity and steam. This would reduce the need for coal-fuelled electricity from the national grid, and has the potential to significantly reduce the Company's greenhouse gas emissions. In light of the current weaker trading environment, uncertain demand outlook and uncertainty regarding the Government's proposed Emissions Trading Scheme, BlueScope Steel has put the project on hold and now intends to implement a lower cost short-term solution that will defer the need to replace its steam generating assets for several years. BlueScope Steel intends to install a new steam main and boiler to replace the old steam main, boiler 21 and boiler 22. Other life-extension work will also be undertaken. Anticipated total capital expenditure for the project is approximately $50 million for the years ended 30 June 2010 and 30 June 2011.

BlueScope Steel Indonesia had commenced a project to upgrade its coating and painting facility to add further annual metal coating capacity of 165,000 tonnes and additional painting capacity of 120,000 tonnes, but has suspended the project due to the current economic downturn and pending an improvement in the outlook for steel demand. The Company remains committed to the recommencement of the project once business conditions in Indonesia recover from the effect of the global economic down-turn and capital funding is available.

(c) Non-current assets pledged as security

Refer to note 30 for information on non-current assets pledged as security by the parent entity and its controlled entities.

(d) Impairment loss

The Group tests for impairment and measures recoverable amount based on value-in-use based on the discounted future cash flows derived from continued use of assets. Refer to note 22(b) for testing methodology including discount rates used. Impairment losses are included in the line item 'impairment of non-current assets' in the income statement.

(i) Western Port fire
In May 2009, a fire occurred at the Western Port plant Pickle Line Building forming part of the Coated & Industrial Products Australia segment. The principal damage from the fire was limited to the four pickle tanks and to the roof of the building. Other equipment in the Pickle Line Building was largely untouched by the fire. An impairment charge of $9.0M has been booked on plant and equipment destroyed or damaged by the fire. As the damage and operational losses incurred are below the Group's insurance deductible limit, there is no insurance recovery.

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

(ii) China plant and equipment
Impairment write-downs of $11.1M were recorded in connection with China's steel fabricated panels business at Langfang which forms part of the Coated & Building Products Asia segment. The write-down was due to lower than expected demand for the product. Impairment write-downs have been allocated to the underlying plant, machinery and equipment of the business.

(iii) New Zealand Steel capital project cancellations
New Zealand Steel forms part of the New Zealand & Pacific Steel Products segment and has written off $20.8M previously capitalised feasibility costs in relation to capital projects not proceeding due to the current decline in the economic climate. These feasibility costs were previously capitalised within plant, machinery and equipment.

(iv) China coating line
A second impairment write-down of $24.9M was recorded in connection with the metallic coating and painting facility located in Suzhou, China. This facility forms part of the Coated & Buildings Products Asia segment. The write-down has been booked against plant, machinery and equipment and is due to less favourable coated margins than anticipated when assessed for impairment in the prior period.

(v) Australian Distribution & Solutions restructure
Impairment write-downs of $3.4M were recorded in relation to property, plant and equipment following the restructure of various businesses within the Australian Distribution & Solutions segment.

(vi) Lysaght Vietnam
In April 2009, Lysaght Vietnam recognised a $0.4M impairment against property, plant and equipment following the closure of their Hatay production facility. Lysaght Vietnam forms part of the Coated & Building Products Asia segment.

(vii) Reversal of impairment loss
In November 2008, Lysaght Pacific (Fiji) recognised an impairment reversal for $0.9M against property, plant and equipment after securing a contract of sale for a portion of the property impaired in the previous period. This reversal falls within the New Zealand & Pacific Steel Products segment.

As a result of the Western Port fire, previously impaired pickle tanks were installed resulting in a $5.9M impairment reversal which has been recorded in the Coated & Industrial Products Australia segment.

In March 2009, the discontinued Packaging Products division recognised an impairment reversal for $5.6M against property, plant and equipment after securing a contract for the sale of the previously impaired No.2 Temper Mill.

21 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts provision	**0.6**	0.5	**13.1**	-
Employee benefits provision	**3.2**	8.7	**23.9**	-
Claims provision	**-**	-	**16.6**	-
Other provisions	**3.0**	3.0	**3.7**	-
Depreciation	**27.4**	36.9	**(66.8)**	-
Inventory	**7.1**	43.4	**3.2**	-
Investment	**-**	-	**(7.5)**	-
Tax losses	**11.3**	8.3	**114.7**	-
Foreign exchange (gains) losses	**-**	-	**0.2**	-
Other	**0.1**	-	**5.2**	-
	52.7	100.8	**106.3**	-
Amounts recognised directly in equity				
Electricity cash flow hedge	**-**	(1.4)	**-**	-
Retirement benefit obligations	**26.8**	-	**17.8**	-
Share capital raising costs	**-**	-	**19.8**	-
Sub-total other	**26.8**	(1.4)	**37.6**	-
Total deferred tax assets	**79.5**	99.4	**143.9**	-
Movements:				
Opening balance at 1 July	**99.4**	136.1	**-**	-
Credited (charged) to the income statement (note 9)	**(47.3)**	(21.8)	**115.1**	-
Credited (charged) to equity	**28.2**	(2.7)	**30.1**	-
Subsidiary company transfers	**-**	-	**(1.3)**	-
Foreign exchange differences	**(0.8)**	(12.2)	**-**	-
Closing balance at 30 June	**79.5**	99.4	**143.9**	-

22 Non-current assets - Intangible assets

	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Customer relationships $M	Other intangible assets $M	Total $M
Consolidated						
At 1 July 2007						
Cost	102.9	10.6	144.5	20.8	4.6	283.4
Accumulated amortisation and impairment	-	(8.7)	(47.4)	(2.6)	(3.8)	(62.5)
Net book amount	102.9	1.9	97.1	18.2	0.8	220.9
Year ended 30 June 2008						
Opening net book amount	102.9	1.9	97.1	18.2	0.8	220.9
Exchange differences	(8.9)	(0.2)	(3.6)	(0.9)	(0.1)	(13.7)
Additions	-	-	11.1	-	-	11.1
Acquisition of business/subsidiary	702.4	9.5	30.3	85.6	6.6	834.4
Disposal of subsidiaries	(1.1)	-	-	-	-	(1.1)
Pre-acquisition deferred tax assets recognised	(2.9)	-	-	-	-	(2.9)
Impairment charge (c)	(10.8)	-	(11.2)	-	-	(22.0)
Amortisation charge	-	(2.2)	(20.9)	(15.4)	(0.3)	(38.8)
Reclassifications	-	-	10.7	-	-	10.7
Closing net book amount	781.6	9.0	113.5	87.5	7.0	998.6
At 30 June 2008						
Cost	792.4	18.7	198.1	105.4	7.4	1,122.0
Accumulated amortisation and impairment	(10.8)	(9.7)	(84.6)	(17.9)	(0.4)	(123.4)
Net book amount	781.6	9.0	113.5	87.5	7.0	998.6

	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Customer relationships $M	Other intangible assets $M	Total $M
Consolidated						
Year ended 30 June 2009						
Opening net book amount	781.6	9.0	113.5	87.5	7.0	998.6
Exchange differences	65.9	0.4	6.1	12.2	1.1	85.7
Additions	-	-	12.2	-	-	12.2
Acquisition of business/subsidiary	1.9	-	-	-	-	1.9
Acquisition fair value adjustments	4.2	7.6	-	10.7	-	22.5
Disposal of subsidiaries	-	-	-	-	-	-
Pre-acquisition deferred tax assets recognised	-	-	-	-	-	-
Impairment charge (c)	(3.7)	-	(0.6)	-	-	(4.3)
Amortisation charge	-	(1.1)	(27.3)	(10.3)	(0.7)	(39.4)
Reclassifications	-	-	12.3	-	(0.1)	12.2
Closing net book amount	849.9	15.9	116.2	100.1	7.3	1,089.4
At 30 June 2009						
Cost	860.7	30.8	230.3	127.0	8.4	1,257.2
Accumulated amortisation and impairment	(10.8)	(14.9)	(114.1)	(26.9)	(1.1)	(167.8)
Net book amount	849.9	15.9	116.2	100.1	7.3	1,089.4

22 Non-current assets - Intangible assets (continued)

	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Total $M
Parent				
At 1 July 2007				
Cost	2.5	0.1	29.9	32.5
Accumulated amortisation and impairment	-	(0.1)	(13.4)	(13.5)
Net book amount	2.5	-	16.5	19.0
Year ended 30 June 2008				
Opening net book amount	2.5	-	16.5	19.0
Additions	-	-	1.2	1.2
Impairment charge	-	-	(9.2)	(9.2)
Amortisation charge	-	-	(3.9)	(3.9)
Reclassifications	-	-	12.1	12.1
Closing net book amount	2.5	-	16.7	19.2
At 30 June 2008				
Cost	2.5	0.1	43.3	45.9
Accumulated amortisation and impairment	-	(0.1)	(26.6)	(26.7)
Net book amount	2.5	-	16.7	19.2

	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Total $M
Parent				
Year ended 30 June 2009				
Opening net book amount	2.5	-	16.7	19.2
Additions	-	-	1.2	1.2
Impairment charge	-	-	-	-
Amortisation charge	-	-	(6.1)	(6.1)
Reclassification	-	-	11.3	11.3
Closing net book amount	2.5	-	23.1	25.6
At 30 June 2009				
Cost	2.5	0.1	55.8	58.4
Accumulated amortisation and impairment	-	(0.1)	(32.7)	(32.8)
Net book amount	2.5	-	23.1	25.6

22 Non-current assets - Intangible assets (continued)

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

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

Cash-generating unit	Business segment	2009 $M	2008 $M
Coated & Industrial Products Australia	Coated & Industrial Products Australia	**77.5**	40.0
BlueScope Distribution	Australia Distribution & Solutions	**334.0**	317.9
Lysaght Australia	Australia Distribution & Solutions	**56.2**	59.9
BlueScope Water	Australia Distribution & Solutions	**15.3**	14.8
Buildings North America	Coated & Building Products North America	**267.7**	255.9
Steelscape	Coated & Building Products North America	**20.4**	20.7
Metl-Span	Coated & Building Products North America	**63.9**	59.2
Butler China	Coated & Building Products Asia	**10.9**	9.2
Other Asia	Coated & Building Products Asia	**4.0**	4.0
Total goodwill		**849.9**	781.6

Intangible assets with indefinite useful lives (other than goodwill) of $3.6M and $2.6M have been allocated to the Buildings North America and Metl-Span CGUs respectively. These assets relate to trade names recognised as part of the IMSA Group business combination acquired in February 2008. At 30 June 2008 the accounting for this business combination was provisional and these trade names had not been recognised.

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

The recoverable amount of each CGU is determined on the basis of value-in-use (VIU). The following describes assumptions on which management has based its cash flow projections when determining value-in-use.

Cash flows
VIU calculations use cash flow projections based on financial projections approved by management covering a three-year period, being the basis of the Group's forecasting and planning processes. Cash flows beyond three years are extrapolated to 30 years with adjustments where necessary to reflect changes in long-term operating conditions. No terminal value is calculated.

Growth rate
The growth rate used to extrapolate the cash flows beyond the three-year period is typically 2.5% (2008: 2.5%). The growth rate represents a steady indexation rate which does not exceed management's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rate
The base discount rate applied to the cash flow projections is 10.5% post-tax (2008: 10.5% post-tax). The discount rate is a post-tax rate that reflects the current assessment of the time value of money, and the overall perceived risk profile of the Company.

Given the differing characteristics, currencies and geographical locations of the Group's CGUs, where appropriate the discount rate is adjusted by a country risk premium (CRP) to reflect country-specific risks. Such adjustments do not reflect risks for which cash flow forecasts have already been adjusted. The CRP is derived from a combination of external sources including observed bond market spreads, market commentator surveys and analysis, and Standard & Poor's foreign currency ratings. This adjusted discount rate is then translated to a pre-tax rate for each CGU based on the specific tax rate applicable to where the CGU operates.

Foreign currency cash flows are discounted using CGUs in functional currency and then translated to the Group's presentation currency using the closing exchange rate.

Raw material and selling prices
Raw material and selling price assumptions used for cash flow projections are based on global commodity prices, taking into account forecast and past actual pricing.

22 Non-current assets - Intangible assets (continued)

In determining VIU, the Company has not included any potential impact of the Australian Carbon Pollution Reduction Scheme (CPRS) on its Australian operations. The Australian Government has announced that it intends to commence the CPRS on 1 July 2011. While the key design features of the CPRS had been finalised as at the date of this report, it was difficult to quantify with an appropriate degree of reliability what the magnitude of the effect of the 'Cost of Carbon' on the cash inflows of the Australian operations will be. Key variables include defining activities eligible for Emissions-Intensive Trade-Exposed (EITE) assistance and determining the impact of the costs of electricity (Scope 2 emissions) and of inputs of other goods and services to the Company's operations (Scope 3 emissions).

(c) Impairment charge

In June 2009, Lysaght Australia announced the closure of Trustek due to continued poor operating performance. Trustek recognised a $3.7M impairment of goodwill and a $0.6M impairment of computer software.

In the previous period, the carrying amount of the computer software in Lysaght Australia was reduced to its recoverable amount through recognition of an impairment loss for $8.8M. In addition, Lysaght Home Improvements impaired goodwill totalling $10.8M and computer software for $1.5M, Lysaght Fiji and the China coating line also impaired computer software by $0.5M and $0.4M respectively.

23 Non-current assets - Other

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Deferred charges and prepayments	**4.3**	5.7	**0.3**	1.1

The carrying value of deferred charges and prepayments approximates fair value.

24 Current liabilities - Payables

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Trade payables	**824.1**	1,137.1	**109.0**	165.0
Related party trade payables	**-**	-	**99.8**	190.7
Tax related amounts payable to wholly-owned entities	**-**	-	**47.0**	17.7
Other payables	**115.7**	144.9	**25.1**	37.8
	939.8	1,282.0	**280.9**	411.2

(a) Risk exposure

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

25 Current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Secured				
Other loans	**55.4**	48.8	**47.8**	42.1
Lease liabilities (note 40)	**1.3**	0.8	**-**	-
	56.7	49.6	**47.8**	42.1
Unsecured				
Bank overdrafts (note 11)	**5.4**	24.5	**-**	-
Bills of exchange	**124.3**	-	**-**	-
Bank loans	**28.5**	1,008.3	**-**	-
Loans from related parties	**8.6**	-	**2,295.0**	2,284.2
Other loans	**20.9**	-	**-**	-
Deferred borrowing costs	**(7.7)**	(0.3)	**-**	-
	180.0	1,032.5	**2,295.0**	2,284.2
Total current interest bearing liabilities	**236.7**	1,082.1	**2,342.8**	2,326.3

(a) Security and fair value disclosures

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

(b) Risk exposures

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

26 Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Income tax	**2.7**	156.3	**-**	133.9

27 Current liabilities - Provisions

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Employee benefits - annual leave	**93.8**	116.7	**30.9**	41.8
Employee benefits - long service leave	**153.5**	147.2	**58.8**	58.9
Employee benefits - redundancy (a)	**33.4**	8.0	**10.5**	2.8
Employee benefits - other	**21.6**	121.2	**1.8**	48.3
Restructure (b)	**23.8**	30.3	**8.0**	9.0
Product claims (c)	**29.0**	34.7	**8.2**	6.4
Workers compensation (d)	**19.5**	14.5	**3.8**	2.8
Restoration and rehabilitation (e)	**4.7**	4.2	**0.5**	0.4
Other	**13.0**	16.8	**0.4**	0.3
	392.3	493.6	**122.9**	170.7

27 Current liabilities - Provisions (continued)

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

(b) Restructure
The restructure provision relates to the announced closures of Port Kembla's CRM paintline, Illawarra's flat products division, Lysaght Home Improvements, Trustek, Urban Water's Landsdale and Tullamarine sites, the Packaging Products division, BlueScope Buildings North America's Turlock (California) and Kernersville (North Carolina) manufacturing facilities; and ASC Profile's Dallas manufacturing facility. The majority of the provisions are expected to be utilised prior to 30 June 2010.

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

(d) Workers compensation
In Australia and North America, BlueScope Steel Limited is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary. A contingent liability exists in relation to guarantees given to various state workers compensation authorities, due to self-insurance prerequisites (refer note 39).

For the Group, an actuarially determined asset of $25.7M (2008: $23.3M) has been recognised for expected future reimbursements associated with workers compensation recoveries from third parties. This amount is included in non-current other receivables (refer to note 16) as there is no legal right of offset against the workers compensation provision.

(e) Restoration and rehabilitation
Restoration and rehabilitation provisions include environmental liabilities based upon the assessment of BlueScope Distribution sites following the acquisition of Smorgon Steel Limited's distribution business in August 2007. This provision has both $2.3M current (2008: $2.5M) and $4.2M non-current (2008: $5.0M) portions. An environmental study is due to report on the extent of remediation work required on these sites in August 2009. Additionally, various businesses have recorded provisions of $2.4M current (2008: $1.7M) and $8.2M non-current (2008: $8.9M) in relation to leased sites that require rectification and restoration work at the end of their respective lease periods

Other restoration and rehabilitation provisions exist for New Zealand Steel in relation to their operation of two iron-sand mines (refer to note 32). These provisions have been classified as non-current as the timing of payments to remedy these sites will not be made until the distant future upon cessation of their operations, while the extent of these future costs remains uncertain due to possibilities of changed site conditions between then and the reporting date.

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

28 Current liabilities - Deferred income

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Deferred income	**108.6**	106.3	**9.6**	2.9

The fair value of deferred income approximates carrying value.

29 Non-current liabilities - Payables

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Other payables	**19.9**	7.5	**-**	-

(a) Risk exposure

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

30 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Secured				
Other loans	**118.9**	174.1	**102.3**	150.0
Lease liabilities (note 40)	**1.5**	2.6	**-**	-
	120.4	176.7	**102.3**	150.0
Unsecured				
Bank loans	**1.4**	191.7	**-**	-
Other loans	**779.4**	318.3	**-**	-
Deferred borrowing costs	**(13.0)**	(3.0)	**-**	-
	767.8	507.0	**-**	-
Total non-current interest bearing liabilities	**888.2**	683.7	**102.3**	150.0

(a) Secured liabilities and assets pledged as security

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Other loans	**174.3**	222.9	**150.1**	192.2
Lease liabilities	**2.8**	3.3	**-**	-
Total secured liabilities	**177.1**	226.2	**150.1**	192.2

The Company has a borrowing arrangement secured by various Western Port and Port Kembla plant, machinery and equipment.

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.

30 Non-current liabilities - Interest bearing liabilities (continued)

The carrying amounts of assets pledged as security for current and non-current interest bearing liabilities are:

	Consolidated		**Parent**	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Other loans				
Property, plant and equipment	**51.8**	**59.2**	**51.3**	**61.2**
Lease liabilities				
Property, plant and equipment	**2.3**	**2.6**	**-**	**-**
Total current assets pledged as security	**54.1**	**61.8**	**51.3**	**61.2**

(b) Set-off of assets and liabilities

New Zealand Steel Limited deposits surplus funds with a financial institution. The institution makes advances up to an equivalent amount of the deposit to BlueScope Steel (Finance) Limited. These advances form part of the hedge instrument, outlined in note 14(c), utilised to hedge the net investment in New Zealand Steel Limited. The Company has established a legal right of set-off with the financial institution. The balance of the particular borrowings and offsetting cash deposits at the end of the period was $1,092M (2008: $1,085M).

(c) Financing arrangements

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

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

- $1,192M syndicated bank facility with a syndicate of banks. The facility is comprised of a $92M 364-day tranche maturing in December 2009; a $550M three-year tranche maturing in December 2011; and $550M five-year tranche maturing in December 2010.
- $350M of facilities to support working capital and other short-term cash requirements. This facility is comprised of a $100M tranche maturing in January 2010; a $125M tranche maturing in January 2011; and a $125M tranche maturing in January 2012.
- USD 75M bilateral facility maturing in February 2010.
- USD 25M bilateral facility maturing in January 2010.

As announced on 5 May 2009, a major new debt facility for $1,275M has been established. Subsequent to 30 June 2009, the existing syndicated bank facility, working capital and bilateral facilities listed above were all repaid in full and cancelled. The new $1,275M syndicated bank facility replaced these four facilities. This facility is comprised of a $200M tranche maturing in July 2011 and a $1,075M tranche maturing in July 2012.

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:

- Two short-term facilities of USD 22.5M (AUD 27.8M) and THB 700M (AUD 25.4M) to support working capital and other short-term cash requirements and a long-term facility of THB 3,000M (AUD 108.8M) for BlueScope Steel Thailand Limited.
- Three short-term facilities totalling MYR 169M (AUD 59.1M) to support working capital and other short-term cash requirements for BlueScope Steel (Malaysia) Sdn Bhd.

30 Non-current liabilities - Interest bearing liabilities (continued)

Other facilities

- USD 625M of US Private Placement Loan Notes, USD 100M of which are due for repayment in 2011; USD 200M due in 2014; USD 81M due in 2015; USD 204M due in 2018; and USD 40M due in 2020.
- In 2006, a sale and leaseback transaction was conducted raising approximately $270M net cash. The relevant assets have been leased back over a five-year period. This transaction has been accounted for as a borrowing.

Bank overdrafts

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

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

	Consolidated		**Parent**	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Credit standby arrangements				
Total facilities				
Bank overdrafts	**34.6**	34.8	**-**	-
Bank loan facilities	**2,050.4**	2,528.0	**-**	-
	2,085.0	2,562.8	**-**	-
Used at balance date				
Bank overdrafts	**5.4**	24.5	**-**	-
Bank loan facilities	**154.2**	1,200.0	**-**	-
	159.6	1,224.5	**-**	-
Unused at balance date				
Bank overdrafts	**29.2**	10.3	**-**	-
Bank loan facilities	**1,896.2**	1,328.0	**-**	-
	1,925.4	1,338.3	**-**	-

(d) Risk exposures

Information about the Group's and parent entity's exposure to interest rate and foreign currency changes is provided in note 3.

31 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
The balance comprises temporary differences attributable to:				
Amounts recognised in profit or loss				
Doubtful debts provision	**(7.1)**	(2.4)	**-**	(6.4)
Employee benefits	**(71.5)**	(103.2)	**-**	(42.4)
Claims provision	**(20.9)**	(17.5)	**-**	(14.8)
Other provisions	**(33.6)**	(22.5)	**-**	(4.5)
Depreciation	**419.3**	366.3	**-**	72.6
Foreign exchange gains (losses)	**56.6**	57.5	**-**	(0.1)
Inventory	**(7.2)**	20.7	**-**	4.8
Investments	**9.3**	8.4	**-**	6.7
Intangible assets	**47.5**	37.8	**-**	-
Tax losses	**(146.7)**	(1.2)	**-**	-
Other	**(4.6)**	(6.6)	**-**	0.6
	241.1	337.3	**-**	16.5
Amounts recognised directly in equity				
Retirement benefit obligations	**(78.1)**	(28.9)	**-**	(7.6)
Share capital raising costs	**(19.8)**	-	**-**	-
	(97.9)	(28.9)	**-**	(7.6)
Net deferred tax liabilities	**143.2**	308.4	**-**	8.9
Movements:				
Opening balance at 1 July	**308.4**	317.0	**8.9**	44.4
Charged (credited) to the income statement (note 9)	**(122.2)**	36.7	**(8.9)**	(11.9)
Charged (credited) to equity (note 35)	**(69.2)**	(84.0)	**-**	(10.3)
Acquisitions (disposals)	**7.6**	45.5	**-**	-
Subsidiary company transfers	**-**	-	**-**	(13.3)
Exchange fluctuation	**18.6**	(6.8)	**-**	-
Closing balance at 30 June	**143.2**	308.4	**-**	8.9

32 Non-current liabilities - Provisions

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Employee benefits - long service leave	**17.5**	15.6	**6.6**	5.5
Employee benefits - other	**3.0**	3.3	**-**	-
Restructure	**7.4**	0.5	**-**	-
Product claims	**57.9**	51.4	**44.9**	39.6
Workers compensation	**109.3**	106.3	**9.3**	9.1
Restoration and rehabilitation	**12.4**	13.9	**-**	-
Other	**1.8**	9.1	**-**	-
	209.3	200.1	**60.8**	54.2

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

32 Non-current liabilities - Provisions (continued)

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

	Restructure $M	Product claims $M	Workers compensation $M	Restoration and rehabilitation $M	Other $M	Total $M
Consolidated - 2009						
Current and non-current						
Carrying amount at start of year	30.8	86.1	120.8	13.0	31.0	281.7
Additional provision recognised	31.5	15.9	26.5	0.1	1.8	75.8
Unutilised provisions written back	(4.5)	(5.6)		-	(13.1)	(23.2)
Acquisition fair value adjustments	-	1.9	3.8	-	-	5.7
Amounts used during the period	(25.4)	(19.4)	(26.8)	(1.5)	(4.0)	(77.1)
Exchange fluctuations	(1.2)	4.8	0.1	-	4.3	8.0
Transfers	-	-	-	5.2	(5.2)	-
Unwinding and discount rate adjustment	-	3.2	4.4	0.3	-	7.9
Carrying amount at end of year	31.2	86.9	128.8	17.1	14.8	278.8

	Restructure $M	Product claims $M	Workers compensation $M	Restoration and rehabilitation $M	Other $M	Total $M
Parent - 2009						
Current and non-current						
Carrying amount at start of year	9.0	46.0	11.9	0.4	0.3	67.6
Additional provisions recognised	3.3	14.5	7.4	0.1	0.1	25.4
Amounts used during the period	(4.3)	(9.7)	(6.6)	-	-	(20.6)
Unwinding and discount rate adjustment	-	2.4	0.4	-	-	2.8
Carrying amount at end of year	8.0	53.2	13.1	0.5	0.4	75.2

33 Non-current liabilities - Retirement benefit obligations

(a) Superannuation benefits

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

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

New Zealand employees are members of either the New Zealand Steel Pension Fund, being a defined benefit plan, or the Retirement Savings Plan, a defined contribution master trust managed by Tower Employee Benefits Limited. The Butler Manufacturing Company employees are members of the Butler Manufacturing Base Retirement Plan, a defined benefit fund, closed to new participants from 31 December 2004. Employees hired on or after 1 January 2004 receive a retirement contribution from the Butler Employee Savings Trust (BEST) which is a defined contribution plan. The Group also makes superannuation contributions to defined contribution funds in respect of the entity’s employees located in other countries.

The Company acquired IMSA Steel Corp effective 1 February 2008. IMSA Steel Corp sponsored three defined benefit funds; VP Salaried, VP Hourly and IMSA Steel Plans, all of which are now sponsored by BlueScope Steel. Effective 31 December 2008, the VP Salaried, VP Hourly and IMSA Steel Plans merged into the Butler Base Retirement Plan.

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

Actuarial assessments of the defined benefit funds are made at no more than three-yearly intervals, with summary assessments performed annually. The last formal actuarial investigations were made of the BlueScope Steel Superannuation Fund as at 30 June 2008, the New Zealand Steel Pension Fund as at 31 March 2006, and the Butler Manufacturing defined benefit plan as at 1 January 2008. Summary actuarial assessments were performed for all of these funds as at 30 June 2009, to provide information that is more up-to-date than that of the most recent formal actuarial investigation.

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

(b) Balance sheets amounts

The amounts recognised in the balance sheets are determined as follows:

	Consolidated		**Parent**	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Present value of the defined benefit obligation	**(1,052.0)**	(1,069.9)	**(240.9)**	(265.5)
Fair value of defined benefit plan assets	**791.4**	908.0	**209.3**	263.2
Net (liability) asset before adjustment for contributions tax	**(260.6)**	(161.9)	**(31.6)**	(2.3)
Adjustment for contributions tax	**-**	(42.5)	**-**	(0.4)
Net (liability) asset in the balance sheet	**(260.6)**	(204.4)	**(31.6)**	(2.7)

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

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

2009	**BlueScope Steel Superannuation Fund** **$M**	**New Zealand Pension Fund** **$M**	**Coated & Building Products North America** **$M**	**Total** **$M**
Present value of the defined benefit obligation	(473.3)	(254.1)	(321.6)	**(1052.0)**
Fair value of defined benefit plan assets	413.9	175.5	202.0	**791.4**
Net (liability) asset in the balance sheet	(62.4)	(78.6)	(119.6)	**(260.6)**
Defined benefit expense	8.3	9.4	1.6	19.3
Employer contributions	22.1	16.6	28.5	67.2
Principal actuarial assumptions	%	%	%	
Discount rate (gross of tax)	5.5	6.1	6.7	
Expected return on plan assets (net of tax)	7.0	6.0	8.0	
Future salary increases	3.5	4.0	4.0	

2008	**BlueScope Steel Superannuation Fund** **$M**	**New Zealand Pension Fund** **$M**	**Coated & Building Products North America** **$M**	**Total** **$M**
Present value of the defined benefit obligation	(518.4)	(270.8)	(280.7)	(1,069.9)
Fair value of defined benefit plan assets	513.7	186.3	208.0	908.0
Adjustment for contributions tax	(0.8)	(41.7)	-	(42.5)
Net (liability) asset in the balance sheet	(5.5)	(126.2)	(72.7)	(204.4)
Defined benefit expense	0.6	7.7	0.3	8.6
Employer contributions	13.3	18.4	19.6	51.3
Principal actuarial assumptions	%	%	%	
Discount rate (net of tax)	5.4	4.5	6.3	
Expected return on plan assets (net of tax)	7.5	6.0	8.0	
Future salary increases	4.0	4.0	4.0	

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

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

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

(d) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Cash	**3.3**	3.0	**1.0**	1.3
Equity instruments	**414.9**	526.2	**129.8**	163.2
Debt instruments	**287.3**	308.9	**55.5**	69.7
Property	**33.1**	41.1	**16.7**	21.1
Other assets	**52.8**	28.8	**6.3**	7.9
	791.4	908.0	**209.3**	263.2

(e) Reconciliations

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:				
Balance at the beginning of the year	**1,069.9**	1,067.8	**265.5**	269.1
Current service cost	**29.5**	30.6	**7.4**	6.6
Interest cost	**71.4**	64.3	**15.8**	15.6
Actuarial losses (gains)	**(135.6)**	(13.7)	**(12.8)**	9.9
Foreign currency exchange rate changes	**52.8**	(70.5)	**-**	-
Benefits paid	**(72.5)**	(92.8)	**(36.0)**	(35.7)
Increase in allowance for contributions tax on net liability	**46.8**	-	**1.0**	-
Loss (gains) on curtailments	**(8.6)**	(9.9)	**-**	-
Acquired in business combination	**-**	95.1	**-**	-
Other	**(1.7)**	(1.0)	**-**	-
Balance at the end of the year	**1,052.0**	1,069.9	**240.9**	265.5

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Reconciliation of the fair value of plan assets:				
Balance at the beginning of the year	**908.0**	1,020.4	**263.2**	289.6
Expected return on plan assets	**71.6**	77.5	**18.1**	20.5
Actuarial gains (losses)	**(239.2)**	(156.4)	**(46.6)**	(18.5)
Foreign currency exchange rate changes	**61.0**	(54.9)	**-**	-
Contributions by Group companies	**67.2**	51.3	**11.0**	7.0
Tax on employer contributions	**(8.8)**	(8.1)	**(1.8)**	(1.1)
Contributions by plan participants	**5.8**	6.3	**1.4**	1.4
Benefits paid	**(72.5)**	(92.8)	**(36.0)**	(35.7)
Gain (loss) on curtailments	**-**	(4.7)	**-**	-
Acquired in business combination	**-**	70.4	**-**	-
Other	**(1.7)**	(1.0)	**-**	-
Balance at the end of the year	**791.4**	908.0	**209.3**	263.2

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

(f) Amounts recognised in income statement

The amounts recognised in the income statement in respect of defined benefit plans are as follows:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Current service cost	**29.5**	30.6	**7.4**	6.6
Contributions by plan participants	**(5.8)**	(6.3)	**(1.4)**	(1.4)
Interest cost	**71.4**	64.3	**15.8**	15.6
Expected return on plan assets	**(71.6)**	(77.5)	**(18.1)**	(20.5)
Increase in allowance for contributions tax on net liability	**4.4**	2.7	**0.5**	-
Losses (gains) on curtailments and settlements	**(8.6)**	(5.2)	**-**	-
Total included in employee benefits expense	**19.3**	8.6	**4.2**	0.3
Actual return on plan assets	**(166.3)**	(78.9)	**(28.8)**	2.0

(g) Amounts recognised in the statement of recognised income and expense

Actuarial gains and losses incurred during the year, adjusted for contributions tax where applicable, and recognised in the statement of recognised income and expense were a $103.6M loss for the Group (2008: $175.1M loss) and a $33.8M loss for the Parent (2008: $33.4M loss).

Cumulative actuarial gains and losses recognised in the statement of recognised income and expense were a $238.6M loss for the Group (2008: $135.0M loss) and a $59.1M loss for the Parent (2008: $25.3M loss).

(h) Employer contributions

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

Total employer contributions expected to be paid by Group companies for the year ending 30 June 2010 are $79.3M (parent entity: $9.0M).

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

(i) Experience adjustments

	2009	2008	2007	2006
	$M	$M	$M	$M
Experience adjustments arising on plan liabilities	135.6	13.7	(4.0)	(72.8)
Experience adjustments arising on plan assets	(239.2)	(156.4)	55.1	88.6

34 Contributed equity

	Notes	Parent entity 2009 Shares	Parent entity 2008 Shares	Parent entity 2009 $M	Parent entity 2008 $M
(a) Share capital					
Issued and fully paid ordinary shares	(c)	**I,823,297,662**	759,943,380	**4,032.6**	2,151.2

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue/ redemption price	$M
1 July 2007	**Opening balance**		**733,828,317**		**1,896.0**
Various	Long term incentive plan - 2002	(e)	158,200		-
Various	Long term incentive plan - 2003	(e)	255,509	$3.23	0.8
Various	Long term incentive plan - 2004	(e)	1,212,458	$5.14	6.2
Various	Long term incentive plan - 2005	(e)	23,400	$3.89	0.1
Various	Long term incentive plan - 2006	(e)	62,000	$5.53	0.3
4 September 2007	Employee share plan - 2004	(f)	210,450	$7.86	1.7
1 October 2007	Employee share plan share forfeitures	(f)			0.3
23 October 2007	Dividend reinvestment plan - 2007 final	(d)	5,552,248	$10.83	60.1
2 November 2007	Employee share plan - 2008	(f)	1,354,107	$10.34	14.0
7 February 2008	Employee share plan - 2008	(f)	145,530	$10.44	1.5
1 April 2008	Dividend reinvestment plan - 2008 interim	(d)	4,793,397	$9.37	44.9
1 April 2008	Dividend reinvestment plan - 2008 interim	(d)	12,347,764	$9.60	118.5
	Plus: Tax credit recognised directly in equity				6.6
	Rounding				0.2
30 June 2008	**Balance**		**759,943,380**		**2,151.2**
Various	Long term incentive plan - 2003	(e)	66,677	$3.23	0.2
Various	Long term incentive plan - 2004	(e)	655,964	$5.14	3.4
Various	Long term incentive plan - 2005	(e)	1,467,031	$3.89	5.7
1 September 2008	Employee share plan - 2009	(f)	1,370,368	$9.26	12.7
19 September 2008	Employee share plan - 2009	(f)	662,548	$7.96	5.3
25 September 2008	Employee share plan - 2009	(f)	15,453	$7.96	0.1
29 September 2008	Employee share plan - 2005	(f)	71,460	$9.90	0.7
22 October 2008	Dividend reinvestment plan - 2008 final	(d)	8,511,145	$6.79	57.8
16 December 2008	Employee share plan - 2009	(f)	360,570	$3.95	1.4
19 December 2008	Institutional capital raising	(g)	96,774,194	$3.10	300.0
13 February 2009	Retail share purchase plan	(h)	36,442,921	$3.10	113.0
31 March 2009	Dividend reinvestment plan - 2009 interim	(d)	5,322,235	$2.26	12.0
15 May 2009	Institutional capital raising -share rights issue	(i)	515,134,567	$1.55	798.5
5 June 2009	Retail capital rising - share rights issue	(i)	396,499,149	$1.55	614.6
	Less: Cost of capital issues				(66.4)
	Plus: Tax credit recognised directly in equity				22.4
30 June 2009	**Balance**		**1,823,297,662**		**4,032.6**

34 Contributed equity (continued)

(c) 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.

Effective 1 July 1998, the corporations legislation in place abolished the concepts of authorised capital and par value shares. Accordingly, the parent does not have authorised capital nor par value in respect of its issued shares.

(d) Dividend reinvestment plan

The dividend reinvestment plan enables shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash. The dividend reinvestment plan was fully underwritten in respect of the financial year 2008 interim ordinary dividend.

(e) Share rights

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

(f) Employee share plans

Information relating to employee share plans, including details of shares issued under plans, is set out in note 50(b).

(g) Institutional capital raising

During December 2008, the Company successfully completed a $300M institutional placement of ordinary shares at $3.10 per share. The issue of 96,774,194 shares took place on 19 December 2008.

(h) Retail share purchase plan

In February 2009, the Company offered eligible shareholders in Australia and New Zealand to participate in its Share Purchase Plan. The plan offered participants the opportunity to acquire up to $5,000 of new shares at a discount and free of brokerage fees. A total of $113M was raised with 36,442,921 shares issued on 13 February 2009.

(i) Share rights issue

In May 2009, the Company invited shareholders to participate in a non-renounceable share issue entitling eligible shareholders to subscribe for 1 new share for every 1 share held at $1.55 per share. The offer was fully underwritten and raised $1,413M with 911,633,716 shares issued. The offer was not fully subscribed to the extent of 59 million shares with subscriptions for these shares obtained under the terms of the underwriting agreement.

34 Contributed equity (continued)

(j) Capital risk management

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

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

The Group and parent's gearing ratios are as follows:

	Consolidated		**Parent**	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Total interest bearing liabilities (notes 25 & 30)	**1,124.9**	1,765.8	**2,445.1**	2,476.3
Less: Cash and cash equivalents (note 11)	**(369.2)**	(44.1)	**(1.5)**	(0.1)
Net debt	**755.7**	1,721.7	**2,443.6**	2,476.2
Total equity	**5,663.3**	3,941.8	**4,089.0**	2,861.8
Total capital	**6,419.0**	5,663.5	**6,532.6**	5,338.0
Gearing ratio	**11.8 %**	30.4 %	**37.4 %**	46.4 %

35 Reserves and retained profits

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
(a) Reserves				
Hedging reserve - cash flow hedges	**-**	3.4	**-**	-
Share-based payments reserve	**12.3**	13.7	**12.3**	13.7
Foreign currency translation reserve	**(121.6)**	(303.4)	**-**	-
Non-distributable profits reserve	**4.5**	4.7	**-**	-
	(104.8)	(281.6)	**12.3**	13.7
Movements:				
Available-for-sale investments revaluation reserve				
Opening balance	**-**	110.0	**-**	-
Revaluation - gross	**-**	(29.2)	**-**	-
Deferred tax (note 31)	**-**	8.8	**-**	-
Transfer to net profit - gross	**-**	(128.0)	**-**	-
Deferred tax (note 31)	**-**	38.4	**-**	-
Closing balance	**-**	-	**-**	-
Hedging reserve - cash flow hedges				
Opening balance	**3.4**	(2.1)	**-**	0.8
Net gain (loss)	**(3.8)**	(1.4)	**-**	(8.7)
Transfers to inventory	**(1.3)**	9.3	**-**	7.6
Deferred tax	**1.5**	(2.5)	**-**	0.3
Exchange fluctuation	**0.2**	0.1	**-**	-
Closing balance	**-**	3.4	**-**	-
Share-based payments reserve				
Opening balance	**13.7**	16.0	**13.7**	16.0
Share-based payments expense	**8.6**	6.9	**8.6**	6.9
Transfer to share capital	**(10.0)**	(9.2)	**(10.0)**	(9.2)
Closing balance	**12.3**	13.7	**12.3**	13.7
Foreign currency translation reserve				
Opening balance	**(303.4)**	(121.3)	**-**	-
Transfers to net profit	**-**	0.5	**-**	-
Net gain (loss) on hedges of net investments	**(46.0)**	160.4	**-**	-
Deferred tax (note 9)	**14.4**	(48.1)	**-**	-
Currency translation differences arising during the year	**213.4**	(294.9)	**-**	-
Closing balance	**(121.6)**	(303.4)	**-**	-
Non-distributable profits reserve				
Opening balance	**4.7**	4.4	**-**	-
Transfers from retained profits (b)	**-**	0.1	**-**	-
Exchange fluctuations	**(0.2)**	0.2	**-**	-
Closing balance	**4.5**	4.7	**-**	-

35 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Opening balance	**1,997.5**	1,894.7	**696.9**	635.2
Profit (loss) for the year	**(66.4)**	596.2	**(377.6)**	439.7
Dividends paid (note 36)	**(251.6)**	(354.6)	**(251.6)**	(354.6)
Transfers to reserves (a)	**-**	(0.1)	**-**	-
Transfer to minority interest	**(0.2)**	-	**-**	-
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**(103.6)**	(175.1)	**(33.8)**	(33.4)
Deferred tax	**76.0**	36.4	**10.2**	10.0
Closing balance	**1,651.7**	1,997.5	**44.1**	696.9

(c) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve
On 3 August 2007 BlueScope Steel Limited acquired the distribution business of Smorgon Steel Limited. As part of the consideration for this acquisition the 179,124,278 Smorgon Steel Limited shares, previously acquired by the Company for $319.3M and accounted for as an available-for-sale financial asset, were sold at $2.50 per share. This sales price was based on 0.4091 OneSteel Limited shares for each Smorgon Steel Limited share valued using the volume weighted price of OneSteel Limited shares for the 10-day period to 17 August 2007. The pre-tax gain on the disposal of the Smorgon Steel Limited shares was $128M and is presented in the income statement as other income (refer note 7).

(ii) Hedging reserve - cash flow hedges
This reserve is used to record gains or losses on hedging instruments that are determined to be an effective hedge and therefore qualify for hedge accounting, as described in note 1(p). The Company has historically maintained cash flow hedging programs in relation to electricity and zinc purchases. The Company completed its participation in the electricity hedging program in April 2009 and the zinc hedging program in June 2008. Gains or losses from hedging instruments are recognised within inventory in the balance sheet when these hedged cash flows are transacted.

(iii) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of unexercised share rights issued to employees that may or may not have meet vesting conditions. The share-based payments reserve is also used to recognise the fair value of benefits awarded under employee share plans that have not vested at the reporting date. Once share rights are exercised and/or benefits under share plans have vested, the fair value is transferred into ordinary issued share capital. Refer to note 50(a) for details of share rights exercised during the period.

(iv) 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(e). It is also used to record the effect of hedging net investments in foreign operations. The reserve is recognised in profit and loss when a foreign controlled entity is disposed of.

(v) Non-distributable profit reserve
In certain overseas operations local regulations require a set amount of retained profit to be set aside and not be distributed as a dividend.

36 Dividends

	Parent	
	2009	2008
	$M	$M
(a) Ordinary shares		
Final dividend for the year ended 30 June 2008 of 27 cents (2007: 26 cents) per fully paid share paid on 22 October 2008 (2007: 23 October 2007)		
Final fully franked based on tax paid @ 30%	**206.3**	191.2
Interim dividend for the year ended 30 June 2009 of 5 cents (2008: 22 cents) per fully paid share paid on 31 March 2009 (2008: 1 April 2008)		
Fully franked based on tax paid @ 30%	**45.3**	163.4
Total dividends provided for or paid	**251.6**	354.6

(b) Dividends not recognised at year end

Consistent with the Group's actions to strengthen its balance sheet and maintain financial flexibility in light of current market conditions, the directors have proposed that no final dividend be paid for the year ending 30 June 2009. At June 2008, in addition to the above dividends, the directors recommended the payment of a final dividend of 27 cents per fully paid ordinary share, fully franked based on tax paid at 30%. The amount not recognised at 30 June 2008 in relation to this dividend was:	**-**	205.2

(c) Franked dividends

	Parent	
	2009	2008
	$M	$M
Actual franking account balance as at the reporting date	**145.0**	89.0
Franking credits that will arise from the payment (receipt) of income tax payable as at the reporting date	**(20.3)**	133.8
Franking credits available for subsequent financial years based on a tax rate of 30%	**124.7**	222.8

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

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

(d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is $182.0M (2008: $249.6M) as presented in the cash flow statements. Dividend amounts of $57.8M and $12.0M were reinvested through the Company's dividend reinvestment plan for the respective 2008 final and 2009 interim dividends (refer note 34(b)).

37 Key management personnel disclosures

(a) Directors

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

(i) Chairman - non-executive
G J Kraehe, AO

(ii) Executive director
P F O'Malley, Managing Director

(iii) Non-executive directors
R J McNeilly
D J Grady, AM
H K McCann, AM
Y P Tan
D B Grollo

P J Rizzo resigned as a director on 4 December 2008 after serving as a director since 10 May 2002.

D K Jukes was appointed a director on 20 October 2008. It is with great regret that BlueScope Steel Limited advised that Mr D K Jukes died suddenly on 3 January 2009. The Company's deepest condolences have been conveyed to his wife and family.

K A Dean was appointed a director on 21 April 2009.

(b) Other key management personnel

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

Name	*Position*	*Period*
N H Cornish	Chief Executive - Australian & New Zealand Steel Manufacturing Businesses	
B G Kruger	President - North America and Corporate Strategy & Innovation	(until 19 September 2008)
I R Cummin	Executive General Manager - People and Organisational Performance	
M Vassella	Chief Executive - Australian Distribution & Solutions	(until 31 July 2008)
	President - BlueScope North America	(from 1 August 2008)
M Barron	Chief Legal Officer and Company Secretary	
P O'Keefe	Chief Executive - Australian Coated & Industrial Markets	
S R Elias	Chief Financial Officer	
S Dayal	Chief Executive - Asia	(from 5 January 2009)
K A Mitchelhill	Chief Executive - Australian Distribution & Solutions	(from 2 February 2009)

(c) Key management personnel compensation

	Consolidated		**Parent**	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Short-term employee benefits	**8,578.3**	9,892.8	**8,578.3**	9,892.8
Post-employment benefits	**547.6**	455.6	**547.6**	455.6
Other long-term benefits	**243.3**	227.1	**243.3**	227.1
Termination benefits	**-**	-	**-**	-
Share-based payments	**1,987.5**	2,808.0	**1,987.5**	2,808.0
	11,356.7	13,383.5	**11,356.7**	13,383.5

Detailed remuneration disclosures are provided in the 30 June 2009 Remuneration Report.

37 Key management personnel disclosures (continued)

(d) Equity instrument disclosures relating to key management personnel

(i) Share rights provided as remuneration and shares issued on vesting of such share rights.
Details of share rights provided as remuneration and shares issued on the exercise of such share rights, together with terms and conditions of the share rights, can be found in the 30 June 2009 Remuneration Report.

(ii) Share rights holdings
The numbers of share rights over ordinary shares in the Company held during the financial year by each director of BlueScope Steel Limited and other key management personnel of the Group, including their personally related parties, are set out below.

2009 Name	Balance at start of the year	Granted as compen-sation	Exercised	Lapsed	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of BlueScope Steel Limited								
P F O'Malley	352,153	246,358	(51,000)	-	-	547,511	-	547,511
Other key management personnel								
N H Cornish	190,900	56,954	(69,044)	-	-	178,810	-	178,810
B G Kruger[2] (resigned 19 September 2008)	182,949	-	(68,341)	(114,608)	-	-	-	-
I R Cummin	144,952	42,112	(52,605)	-	-	134,459	-	134,459
M R Vassella	47,320	56,008	-	-	-	103,328	-	103,328
M G Barron	139,966	42,112	(51,919)	-	-	130,159	-	130,159
P E O'Keefe	50,317	41,722	-	-	-	92,039	-	92,039
S R Elias	44,362	48,817	-	-	-	93,179	-	93,179
S Dayal (appointed 5 January 2009)	-	45,400	-	-	-	45,400	-	45,400
K A Mitchelhill (appointed 2 February 2009)	-	55,250	-	-	-	55,250	-	55,250

2008 Name	Balance at start of the year	Granted as compen-sation	Exercised	Lapsed	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Directors of BlueScope Steel Limited								
P F O'Malley (appointed 6 August 2007)	121,100	231,053	-	-	-	352,153	-	352,153
K C Adams[1] (resigned 31 October 2007)	569,637	-	-	-	-	569,637	113,733	455,904
Other key management personnel								
L E Hockridge[2] (resigned 7 November 2007)	235,051	-	(67,597)	(167,454)	-	-	-	-
N H Cornish	169,800	51,756	(30,656)	-	-	190,900	-	190,900
K J Fagg[2] (resigned 24 April 2008)	194,307	49,908	(33,859)	(85,042)	-	125,314	23,607	101,707
B G Kruger	189,107	49,908	(56,066)	-	-	182,949	-	182,949
I R Cummin	132,700	38,447	(26,195)	-	-	144,952	-	144,952
M R Vassella (appointed 3 August 2007)	-	47,320	-	-	-	47,320	-	47,320
M G Barron[3] (appointed 2 November 2007)	127,400	38,447	(25,881)	-	-	139,966	-	139,966
P E O'Keefe[3] (appointed 2 November 2007)	11,500	38,817	-	-	-	50,317	-	50,317
S R Elias (appointed 3 March 2008)	-	44,362	-	-	-	44,362	-	44,362

All vested share rights are exercisable at the end of the year.
[1]End balance for this key management personnel is taken as at 31 October 2007.
[2]End balance for these key management personnel is taken as at cessation of employment.
[3]Start balance for these key management personnel relates to rights granted prior to their appointment to the Executive Leadership Team.

37 Key management personnel disclosures (continued)

(iii) Share holdings

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

2009 Name	Balance at the start of the year	Received during the year on the exercise of options	Shares granted as compensation	Other changes during the year	Balance at the end of the year
Directors of BlueScope Steel Ltd					
G J Kraehe	135,330	-	-	150,946	286,276
R J McNeilly	548,425	-	-	773,077	1,321,502
D J Grady	53,942	-	-	74,440	128,382
H K McCann	51,340	-	-	101,380	152,720
P J Rizzo[1] (resigned 4 December 2008)	35,497	-	-	1,230	36,727
Y P Tan	47,922	-	-	109,194	157,116
D B Grollo	17,150	-	-	111,006	128,156
P F O'Malley	80,000	51,000	-	96,613	227,613
D K Jukes (appointed 20 October 2008) (deceased 3 January 2009)	-	-	-	-	-
K A Dean[2] (appointed 21 April 2009)	763	-	-	10,861	11,624
Other key management personnel **Ordinary shares**					
N H Cornish	114,415	69,044	-	(114,875)	68,584
B G Kruger[1] (resigned 19 September 2008)	110,547	68,341	-	159	179,047
I R Cummin	233,287	52,605	-	52,400	338,292
M R Vassella	57,144	-	-	159	57,303
M G Barron	196,584	51,919	-	(56,579)	191,924
P E O'Keefe	10,144	-	-	5,159	15,303
S R Elias	-	-	-	-	-
S Dayal[2] (appointed 5 January 2009)	-	-	20,000	-	20,000
K A Mitchelhill[2] (appointed 2 February 2009)	1,900	-	25,000	50,766	77,666

[1]End balance for these key management personnel is taken as at cessation of employment.
[2]Start balance for these key management personnel is taken at the date of appointment.

37 Key management personnel disclosures (continued)

2008 Name	Balance at the start of the year	Received during the year on the exercise of options	Shares granted as compensation	Other changes during the year	Balance at the end of the year
Directors of BlueScope Steel Limited					
G J Kraehe	130,354	-	-	4,976	135,330
R J McNeilly	544,257	-	-	4,168	548,425
D J Grady	52,405	-	-	1,537	53,942
H K McCann	42,847	-	-	8,493	51,340
P J Rizzo	33,869	-	-	1,628	35,497
Y P Tan	26,038	-	-	21,884	47,922
D B Grollo	2,955	-	-	14,195	17,150
P F O'Malley (appointed 6 August 2007)	25,000	-	50,000	5,000	80,000
K C Adams[1] (resigned 31 October 2007)	2,612,846	-	-	(31,802)	2,581,044
Other key management personnel **Ordinary shares**					
L E Hockridge[2] (resigned 7 November 2007)	619,359	67,597	-	-	686,956
N H Cornish	149,041	30,656	35,000	(100,282)	114,415
K J Fagg[2] (resigned 24 April 2008)	207,552	33,859	-	(238,011)	3,400
B G Kruger	201,837	56,066	67,500	(214,856)	110,547
I R Cummin	180,948	26,195	26,000	144	233,287
M R Vassella[3] (appointed 3 August 2007)	-	-	57,000	144	57,144
M G Barron[3] (appointed 2 November 2007)	224,599	1,985	-	(30,000)	196,584
P E O'Keefe[3] (appointed 2 November 2007)	10,144	-	-	-	10,144
S R Elias[3] (appointed 3 March 2008)	-	-	-	-	-

[1]End balance for this key management personnel is taken as at 31 October 2007.
[2]End balance for these key management personnel is taken as at cessation of employment.
[3]Start balance for these key management personnel is taken at the date of appointment to the Executive Leadership Team.

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

Mr Daniel Grollo is a director of Grocon Pty Ltd, a privately owned company. Grocon occasionally purchases Lysaght building products from the BlueScope Steel Group on normal terms and conditions. Total amounts purchased from the BlueScope Steel Group by Grocon for the 12 months ended 30 June 2009 was $404,184 (2008: $1,453,680).

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

38 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$	$	**$**	$
(a) Audit services				
Audit and review of financial reports and other audit work under the *Corporations Act 2001*:				
Ernst & Young Australian firm	**2,215,200**	2,205,700	**1,578,459**	1,292,100
Related practices of Ernst & Young Australia firm (including overseas Ernst & Young firms)	**2,558,110**	2,649,033	**-**	-
Total remuneration for audit services	**4,773,310**	4,854,733	**1,578,459**	1,292,100
(b) Other services				
(i) Assurance related services				
Ernst & Young Australian Firm:				
Greenhouse gas emissions related assurance	**289,000**	-	**-**	-
Equity raising related assurance	**380,000**	-	**380,000**	-
(ii) Other non-audit services				
Related practices of Ernst & Young Australia firm (including overseas Ernst & Young firms)				
Real estate advisory services	**-**	75,000	**-**	-
Tax compliance services	**438,331**	391,521	**-**	-
Total remuneration for non-audit services	**1,107,331**	466,521	**380,000**	-

39 Contingencies

(a) Contingent liabilities

The parent entity and Group had contingent liabilities at 30 June 2009 in respect of:

Outstanding legal matters

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Litigation cases	**2.5**	0.6	**-**	0.3
	2.5	0.6	**-**	0.3

A range of outstanding legal matters exist that are contingent on court decisions, arbitration rulings and private negotiations to determine amounts required for settlement. It is not practical to provide disclosure requirements relating to each and every case. In addition to the above contingencies for litigation cases, the particulars relating to material litigation cases are provided below:

- A supplier has commenced proceedings alleging breach of contract and are consequently claiming damages. The Company anticipates the claim to be in the order of USD 17M. External legal advice confirms the Company has acted in accordance with its contractual entitlements.

39 Contingencies (continued)

Guarantees
In Australia, BlueScope Steel Limited has given $139.1M (June 2008: $139.1M) in guarantees to various state workers' compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of $88.3M (June 2008: $90.5M) has been recorded in the consolidated financial statements as recommended by independent actuarial advice.

Bank guarantees have been provided to customers in respect of the performance of goods and services supplied. Bank guarantees outstanding at 30 June 2009 totalled $17.5M (30 June 2008: $10.6M).

No material losses are anticipated in respect of any of the above contingent liabilities.

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

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

(b) Contingent assets

No assets have been booked in relation to the recovery of any of the following claims due to the inherent uncertainty surrounding these amounts. Material contingent assets in existence at reporting date are as follows:

- The Group is seeking to recoup $10M from Inductoheat for loss of profits and faulty workmanship in relation to contracted upgrades made to New Zealand Steel's metal coating line. This matter is currently being pursued in the High Court of New Zealand.
- BlueScope Steel (AIS) Pty Ltd has lodged a claim for the cumulation of workers compensation insurance claims on old 'pre-demerger' policies. The insurance company's position is unclear and therefore recoveries remain uncertain.
- The Group has several other outstanding general insurance claims totalling $7M.

40 Commitments

(a) Capital commitments

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Property, plant and equipment				
Payable:				
Within one year	**61.3**	80.1	**19.9**	17.4
Later than one year but not later than five years	**4.4**	-	**-**	-
Later than five years	**-**	-	**-**	-
	65.7	80.1	**19.9**	17.4

Joint ventures
For commitments relating to joint ventures refer to note 46.

(b) Lease commitments - Group as lessee

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	**103.2**	88.7	**24.6**	20.1
Later than one year but not later than five years	**263.7**	236.9	**44.7**	51.0
Later than five years	**234.9**	217.3	**14.8**	12.9
	601.8	542.9	**84.1**	84.0

(ii) Finance leases
The Group leases various plant, machinery and equipment with a carrying amount of $2.3M (2008: $2.6M). The leases have varying terms, purchase options and escalation clauses. On renewal, the terms of the leases are renegotiated. There are no restrictions place upon the lessee by entering into these leases.

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Commitments in relation to finance leases are payable as follows:				
Within one year	**1.3**	1.1	**-**	-
Later than one year but not later than five years	**1.7**	2.4	**-**	-
Later than five years	**-**	0.2	**-**	-
Minimum lease payments	**3.0**	3.7	**-**	-
Future finance charges	**(0.2)**	(0.3)	**-**	-
Recognised as a liability	**2.8**	3.4	**-**	-
Representing lease liabilities:				
Current (note 25)	**1.3**	0.8	**-**	-
Non-current (note 30)	**1.5**	2.6	**-**	-
	2.8	3.4	**-**	-

41 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 43.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 37.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Sales of goods and services				
Sales of goods to subsidiaries	**-**	-	**509.5**	595.9
Sale of goods to associates	**5.0**	10.9	**0.6**	-
Sales of goods to joint venture partnerships	**29.0**	29.5	**0.1**	0.2
Purchases of goods				
Purchases of raw materials from subsidiaries	**-**	-	**1,586.6**	1,568.5
Purchases of services				
Purchase of transport services from subsidiaries	**-**	-	**198.4**	230.7
Tax consolidation legislation				
Current tax payable assumed from wholly owned tax consolidated entities	**-**	-	**48.2**	256.3
Tax losses assumed from wholly owned tax consolidated entities	**-**	-	**(47.0)**	(17.7)
Dividend revenue				
Subsidiaries	**-**	-	**2.3**	601.7
Management and guarantee fee revenue				
Subsidiaries	**-**	-	**15.1**	4.9
Interest revenue				
Subsidiaries	**-**	-	**68.3**	63.9
Associates	**0.1**	0.1	**-**	-
Other related parties	**2.4**	2.9	**-**	-
Interest expense				
Subsidiaries	**-**	-	**147.1**	176.9
Joint venture partnership	**0.4**	0.9	**-**	-
Other revenue				
Subsidiaries	**-**	-	**0.1**	8.4
Superannuation contributions				
Contributions to superannuation funds on behalf of employees	**149.3**	114.6	**37.4**	32.0

41 Related party transactions (continued)

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Current receivables (sales of goods and services)				
Subsidiaries	**-**	-	**44.4**	138.6
Joint venture partnerships	**3.4**	7.1	**3.0**	2.7
Current receivables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**48.2**	256.3
Current receivables (loans)				
Subsidiaries	**-**	-	**2,969.6**	1,556.3
Associates	**1.1**	1.1	**-**	-
Other related parties	**5.0**	4.4	**-**	-
Non-current receivables (loans)				
Other related parties	**10.7**	15.7	**-**	-
Current payables (purchases of goods)				
Subsidiaries	**-**	-	**99.8**	190.7
Current payables (loans)				
Subsidiaries	**-**	-	**2,295.0**	2,284.2
Current payables (tax funding agreement)				
Wholly-owned tax consolidated entities	**-**	-	**47.0**	17.7

A provision for doubtful debts of $40.4M (2008: $18.6M) has been raised in relation to outstanding balances due from related parties in the parent entity.

(f) Loans to/from related parties

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$M	$M	**$M**	$M
Loans to subsidiaries				
Loan repayments (advances)	**-**	-	**(1,406.9)**	423.6
Loans from joint venture partnerships				
Proceeds	**35.9**	126.1	**-**	-
Repayments	**(38.1)**	(126.1)	**-**	-
Repayments	**4.4**	3.9	**-**	-

41 Related party transactions (continued)

(g) Guarantees

The parent entity has provided guarantees in respect of:

	Parent	
	2009	2008
	$M	$M
Bank overdrafts and loans of subsidiaries (unsecured)	**2,036.2**	2,321.7
Other loans (unsecured)	**771.7**	311.8
Trade finance facilities	**322.7**	194.9
	3,130.6	2,828.4

(h) Terms and conditions

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

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

Other director transactions with group entities

Transactions with related parties of directors of wholly-owned subsidiaries within the BlueScope Steel Group total $ Nil (June 2008: $1.0M). These transactions have been made on commercial arm's-length terms and conditions.

42 Business combinations

There were no material business combinations entered into during the year ending 30 June 2009.

(a) Summary of adjustments to provisional business combinations accounted for in previous periods.

The following adjustments were required to adjust previously reported business combinations which were determined on a provisional basis at 30 June 2008. The provisional period granted under AASB 3 *Business Combinations* extends to 12 months from the acquisition date of a business combination.

(i) Smorgon Distribution (Australia Distribution & Solutions) - acquired 3 August 2007

- The fair value of deferred tax assets recognised on acquisition were revised downwards by $15.4M with a corresponding $15.4M increase in goodwill.

(ii) IMSA Steel Corporation (Coated & Building Products North America) - acquired 1 February 2008

- The fair value of provisions recognised on acquisition were revised upwards by USD 2.5M upon finalisation of workers' compensation and legal liabilities. Additionally, the fair value of intangibles recognised on acquisition were revised upwards by USD 12M for trade names and customer relationships with deferred tax liabilities of USD 4.6M recognised in relation to these intangibles. The total net impact is a USD 4.9M increase in the previously reported fair value of net identifiable assets acquired and a corresponding USD 4.9M decrease in goodwill.
- The fair value of consideration paid for the acquisition was revised downwards upon receipt of a USD 3.9M working capital adjustment as determined under the terms and conditions of the business combination with a corresponding USD 3.9M decrease in goodwill.

(b) Purchase consideration

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Net outflow of cash to acquire subsidiary, net of cash acquired				
Purchase consideration paid (received)	**(3.7)**	1,608.0	**0.6**	750.0
less: Accrued acquisition costs	**6.4**	(6.4)	**-**	-
plus: Deferred purchase price payments on prior year acquisitions	**-**	3.7	**-**	-
Cash consideration	**2.7**	1,605.3	**0.6**	750.0
less: Cash balances acquired	**-**	55.5	**-**	0.1
Outflow of cash	**2.7**	1,549.8	**0.6**	749.9

43 Subsidiaries

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

Name of entity	Country of incorporation	Equity holding 2009	Equity holding 2008
Amari Wolff Steel Pty Ltd (a)	Australia	**100**	100
Australian Iron & Steel Pty Ltd	Australia	**100**	100
BlueScope Building Solutions Pty Ltd (a)	Australia	**100**	100
BlueScope Distribution Pty Ltd (a)	Australia	**100**	100
BlueScope Steel Asia Holdings Pty Ltd	Australia	**100**	100
BlueScope Steel (AIS) Pty Ltd	Australia	**100**	100
BlueScope Steel Employee Share Plan Pty Ltd	Australia	**100**	100
BlueScope Steel (Finance) Ltd	Australia	**100**	100
BlueScope Steel Logistics Co Pty Ltd (a)	Australia	**100**	100
BlueScope Steel Middle East Investments Pty Ltd	Australia	**100**	100
BlueScope Pty Ltd	Australia	**100**	100
BlueScope Water Pty Ltd (a)	Australia	**100**	100
Glenbrook Holdings Pty Ltd	Australia	**100**	100
Highline Ltd (a)	Australia	**100**	100
John Lysaght (Australia) Pty Ltd	Australia	**100**	100
Laser Dynamics Australia Pty Ltd (a)	Australia	**100**	100
Lysaght Building Solutions Pty Ltd (a)	Australia	**100**	100
Lysaght Design and Construction Pty Ltd (a)	Australia	**100**	100
Metalcorp Manufacturing Pty Ltd (a)	Australia	**100**	100
Metalcorp Steel Pty Ltd (a)	Australia	**100**	100
New Zealand Steel (Aust) Pty Ltd (a)	Australia	**100**	100
Pioneer Water Tanks (Australia 94) Pty Ltd (a)	Australia	**100**	100
The Roofing Centre (Tasmania) Pty Ltd (a)	Australia	**100**	100
Warwick Pty Ltd (j)	Australia	**-**	100
Butler do Brasil Limitada (k)	Brazil	**100**	100
BlueScope Lysaght (Brunei) Sdn Bhd	Brunei	**60**	60
BlueScope Lysaght (Guangzhou) Ltd	China	**100**	100
BlueScope Steel Building Solutions (Guangzhou) Ltd	China	**100**	100
BlueScope Lysaght (Shanghai) Ltd	China	**100**	100
BlueScope Steel (Shanghai) Co Ltd	China	**100**	100
BlueScope Steel International Trading (Shanghai) Co Ltd	China	**100**	100
BlueScope Steel Investment Management (Shanghai) Co Ltd	China	**100**	100
BlueScope Lysaght (Langfang) Ltd	China	**100**	100
BlueScope Lysaght (Chengdu) Ltd	China	**100**	100
BlueScope Steel (Suzhou) Ltd	China	**100**	100
Butler (Shanghai) Inc	China	**100**	100
Butler (Tianjin) Inc	China	**100**	100
Shanghai BlueScope Butler Construction Engineering Co. Ltd (i)	China	**100**	-
BlueScope Lysaght Fiji Ltd	Fiji	**64**	64
BlueScope Steel North Asia Ltd	Hong Kong	**100**	100
BlueScope Steel India (Private) Ltd	India	**100**	100
PT BlueScope Steel Indonesia	Indonesia	**100**	100
PT BlueScope Lysaght Indonesia	Indonesia	**100**	100
PT BRC Lysaght Distribution	Indonesia	**80**	80
BlueScope Steel Transport (Malaysia) Sdn Bhd	Malaysia	**100**	100
BlueScope Steel Logistics (Malaysia) Sdn Bhd	Malaysia	**100**	100
BlueScope Steel (Malaysia) Sdn Bhd	Malaysia	**60**	60
BlueScope Lysaght (Malaysia) Sdn Bhd	Malaysia	**60**	60
BlueScope Lysaght (Sabah) Sdn Bhd (b)	Malaysia	**49**	49
BlueScope Steel Asia Sdn Bhd	Malaysia	**100**	100
Global BMC (Mauritius) Holdings Ltd	Mauritius	**100**	100
Butler Manufacturas S de R.L. de C.V.	Mexico	**100**	100
Butler de Mexico S. de R.L. de C.V.	Mexico	**100**	100
BlueScope Acier Nouvelle Caledonie SA (c)	New Caledonia	**65**	65

43 Subsidiaries (continued)

Name of entity	Country of incorporation	Equity holding	
BlueScope Steel Finance NZ Ltd	New Zealand	**100**	100
Tasman Steel Holdings Ltd	New Zealand	**100**	100
New Zealand Steel Holdings Ltd	New Zealand	**100**	100
New Zealand Steel Ltd	New Zealand	**100**	100
Glenbrook Representatives Ltd	New Zealand	**100**	100
New Zealand Steel Development Ltd	New Zealand	**100**	100
Toward Industries Ltd	New Zealand	**100**	100
Steltech Structural Ltd	New Zealand	**100**	100
BlueScope Steel Trading NZ Ltd	New Zealand	**100**	100
New Zealand Steel Mining Ltd	New Zealand	**100**	100
Waikato North Head Mining Limited (h)	New Zealand	**100**	-
BlueScope Steel International Holdings SA	Panama	**100**	100
BlueScope Steel Philippines Inc	Philippines	**100**	100
NPAH Holdings Ltd (j)	PNG	**-**	100
Titan Properties Ltd (j)	PNG	**-**	100
BlueScope Lysaght (Singapore) Pte Ltd	Singapore	**100**	100
BlueScope Steel Asia Pte Ltd	Singapore	**100**	100
Steelcap Insurance Pte Ltd	Singapore	**100**	100
BlueScope Steel Southern Africa (Pty) Ltd	South Africa	**100**	100
BlueScope Lysaght Taiwan Ltd	Taiwan	**80**	80
BlueScope Steel (Thailand) Ltd	Thailand	**75**	75
Steel Holdings Co Ltd	Thailand	**100**	100
BlueScope Lysaght (Thailand) Ltd	Thailand	**75**	75
BlueScope Steel International Ltd	UK	**100**	100
ASC Profiles Inc	USA	**100**	100
B H Tank Works Inc	USA	**100**	100
BlueScope Steel North America Corporation	USA	**100**	100
BlueScope Steel Technology Inc	USA	**100**	100
BlueScope Steel Americas LLC	USA	**100**	100
BlueScope Steel Investments Inc	USA	**100**	100
HCI Steel Building Systems (e)	USA	**-**	100
IMSA Steel Corporation / VSMA Inc (g)	USA	**100**	100
LB Real Properties Inc	USA	**100**	100
Butler Manufacturing Company (e)	USA	**-**	100
BIEC International Inc	USA	**100**	100
BMC Real Estate Inc	USA	**100**	100
Butler Holdings Inc	USA	**100**	100
Liberty Building Systems Inc (e)	USA	**-**	100
BUCON Inc / BlueScope Construction Inc (f)	USA	**100**	100
Metl-Span LLC	USA	**100**	100
Butler Pacific Inc	USA	**100**	100
Steelscape Inc	USA	**100**	100
Varco Pruden Buildings Inc (e)	USA	**-**	100
Varco Pruden Holdings Inc / BlueScope Buildings North America Inc (e)	USA	**100**	100
BlueScope Lysaght (Vanuatu) Ltd (c)(d)	Vanuatu	**39**	39
BlueScope Buildings (Vietnam) Ltd	Vietnam	**100**	100
BlueScope Steel Vietnam Ltd	Vietnam	**100**	100

43 Subsidiaries (continued)

All subsidiaries incorporated in Australia are members of the BlueScope Steel Ltd tax consolidated group. Refer to notes 1(g) and 9(f).

(a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. For further information refer to note 44.

(b) The 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 AASB 127 *Consolidated and Separate Financial Statements* because the BlueScope Steel Group can exercise voting control.

(c) These controlled entities are audited by firms other than Ernst & Young and affiliates.

(d) The 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 the entity.

(e) These controlled entities were legally merged into Varco Pruden Holdings Inc and renamed BlueScope Buildings North America Inc on 1 January 2009.

(f) BUCON Inc was renamed BlueScope Construction Inc during the period.

(g) IMSA Steel Corporation was renamed VSMA Inc during the period.

(h) Waikato North Head Mining Limited was formed on 9 July 2008.

(i) Shanghai BlueScope Butler Construction Engineering Co. Ltd was formed on 22 October 2008.

(j) These controlled entities were liquidated and deregistered during the year.

(k) These controlled entities are in the process of being liquidated and deregistered.

44 Deed of cross-guarantee

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

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

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

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2009 of the Closed Group.

44 Deed of cross-guarantee (continued)

	2009 $M	2008 $M
Income statement		
Revenue	**4,410.6**	5,317.3
Other income	**18.6**	125.2
Changes in inventories of finished goods and work in progress	**(134.7)**	59.3
Raw materials and consumables used	**(3,093.3)**	(3,206.3)
Employee benefits expense	**(599.3)**	(646.8)
Depreciation and amortisation expense	**(105.7)**	(102.6)
Impairment of non-current assets	**(159.0)**	(27.5)
Freight on external despatches	**(234.4)**	(264.0)
External services	**(264.6)**	(266.0)
Finance costs	**(178.0)**	(210.9)
Other expenses	**(145.7)**	(241.8)
Share of net profits of associates and joint venture partnership accounted for using the equity method	**-**	0.2
Profit (loss) before income tax	**(485.5)**	536.1
Income tax (expense) revenue	**108.2**	28.0
Profit (loss) for the year	**(377.3)**	564.1
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**878.1**	702.6
Retained profits (losses) brought forward from new entities joining the deed	**-**	(10.4)
Net profit (loss) for the year	**(377.3)**	564.1
Dividends provided or paid	**(251.6)**	(354.6)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**(34.0)**	(33.7)
Income tax on items taken directly to or transferred from equity	**10.2**	10.1
Retained profits at the end of the financial year	**225.4**	878.1

44 Deed of cross-guarantee (continued)

(b) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2009 of the closed group.

	2009 $M	2008 $M
Current assets		
Cash and cash equivalents	**1.7**	0.2
Trade and other receivables	**3,534.1**	2,475.8
Inventories	**536.2**	675.1
Non-current assets classified as held for sale	**6.8**	-
Other	**6.9**	6.0
Total current assets	**4,085.7**	3,157.1
Non-current assets		
Receivables	**-**	0.9
Inventories	**30.3**	21.7
Other financial assets	**2,572.7**	2,708.2
Deferred tax assets	**130.8**	-
Property, plant and equipment	**929.9**	981.8
Intangible assets	**507.0**	494.4
Other	**0.3**	1.2
Total non-current assets	**4,171.0**	4,208.2
Total assets	**8,256.7**	7,365.3
Current liabilities		
Payables	**405.1**	691.6
Interest bearing liabilities	**3,200.1**	3,044.8
Current tax liabilities	**-**	133.9
Provisions	**160.1**	207.0
Deferred income	**15.3**	18.2
Total current liabilities	**3,780.6**	4,095.5
Non-current liabilities		
Payables	**-**	0.5
Interest bearing liabilities	**103.1**	151.9
Deferred tax liabilities	**-**	4.3
Provisions	**71.8**	66.5
Retirement benefit obligations	**30.9**	3.6
Total non-current liabilities	**205.8**	226.8
Total liabilities	**3,986.4**	4,322.3
Net assets	**4,270.3**	3,043.0
Equity		
Contributed equity	**4,032.6**	2,151.2
Reserves	**12.3**	13.7
Retained profits	**225.4**	878.1
Total equity	**4,270.3**	3,043.0

45 Investments in associates

Name of company	Ownership interest		Country of incorporation
	2009	2008	
	%	%	
Saudi Steel Building Manufacturing Company	**30**	30	Saudi Arabia
Saudi Building Systems Ltd	**30**	30	Saudi Arabia
BlueScope Lysaght (Sarawak) Sdn Bhd	**49**	49	Malaysia
SteelServ Limited	**50**	50	New Zealand
McDonalds Lime Limited	**28**	28	New Zealand
BlueScope Bartlett Liners Pty Ltd	**50**	50	Australia
Beacon Pathway Ltd	**20**	20	New Zealand

(a) Movements in carrying amounts

	Consolidated	
	2009	2008
	$M	$M
Carrying amount at the beginning of the financial year	**13.8**	12.2
Share of profits after income tax	**6.9**	7.3
Additional investment	**-**	2.8
Dividends received/receivable	**(7.1)**	(6.7)
Currency fluctuation	**1.8**	(1.8)
Carrying amount at the end of the financial year	**15.4**	13.8

46 Interests in joint ventures

(a) Joint venture partnerships

The Group has a 50% interest in North Star BlueScope Steel LLC, a USA resident, the principal activity of which is the manufacturing of hot rolled steel products.

The Group has a 50% interest in Tata BlueScope Steel Limited, the principal activity being the construction of a new metal coating and paintline facility, pre-engineered building and roll forming facilities in India.

The above mentioned joint venture partnerships are accounted for in the consolidated financial statements using the equity method of accounting (refer to note 1(c)(iii)). Aggregated information relating to the joint venture partnerships is set out below.

	NorthStar BlueScope Steel		**Tata BlueScope Steel**		**Consolidated**	
	2009 $M	2008 $M	**2009 $M**	2008 $M	**2009 $M**	2008 $M
Share of partnership's assets and liabilities						
Current assets						
Cash and cash equivalents	**3.1**	-	**2.1**	0.8	**5.2**	0.8
Receivables	**43.0**	97.1	**21.2**	11.7	**64.2**	108.8
Inventories	**50.3**	70.1	**8.6**	12.6	**58.9**	82.7
Other	**1.0**	0.3	**0.1**	-	**1.1**	0.3
Non-current assets						
Property, plant and equipment	**125.3**	123.7	**73.4**	51.7	**198.7**	175.4
Intangible assets	**-**	-	**0.3**	1.1	**0.3**	1.1
Other	**0.1**	-	**-**	-	**0.1**	-
Total assets	**222.8**	291.2	**105.7**	77.9	**328.5**	369.1
Current liabilities						
Payables	**42.6**	92.0	**20.1**	4.4	**62.7**	96.4
Borrowings	**-**	18.4	**17.2**	12.7	**17.2**	31.1
Provisions	**-**	-	**1.5**	1.0	**1.5**	1.0
Non-current liabilities						
Borrowings	**0.1**	-	**-**	-	**0.1**	-
Total liabilities	**42.7**	110.4	**38.8**	18.1	**81.5**	128.5
Net assets	**180.1**	180.8	**66.9**	59.8	**247.0**	240.6
Share of partnership's revenue, expenses and results						
Revenues	**669.1**	720.8	**60.7**	45.8	**729.8**	766.6
Expenses	**725.5**	612.9	**67.5**	49.5	**793.0**	662.4
Profit (loss) before income tax	**(56.4)**	107.9	**(6.8)**	(3.7)	**(63.2)**	104.2
Income tax (expense) benefit	**-**	-	**-**	(0.1)	**-**	(0.1)
Profit (loss) after income tax	**(56.4)**	107.9	**(6.8)**	(3.8)	**(63.2)**	104.1
Share of partnership's capital commitments	**13.2**	9.4	**56.3**	36.3	**69.5**	45.7

(b) Contingent liabilities relating to joint ventures

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

(c) Impairment losses

Impairment losses of $2.3M (June 2008: $1.4M) were recognised in relation to the Group's investment in Castrip LLC (refer to note 8). The carrying value of the Group's 47.5% interest in Castrip LLC is $Nil (June 2008: $Nil).

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

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Profit for the year	**(66.8)**	612.3	**(377.6)**	439.7
Depreciation and amortisation	**364.7**	357.1	**88.0**	84.0
Impairment of non-current assets	**64.2**	240.0	**144.7**	15.2
Write-down of goodwill	**-**	2.9	**-**	-
Actuarial gains (losses) on defined benefit superannuation recorded directly in equity	**(103.6)**	(175.1)	**(33.8)**	(33.4)
Tax on other items recorded directly in equity	**112.8**	42.4	**32.6**	17.0
Non-cash employee benefits expense - share-based payments	**22.0**	17.1	**22.0**	17.1
Capitalised borrowing costs	**(18.4)**	(11.1)	**-**	(1.8)
Net (gain) loss on sale of non-current assets	**4.6**	2.6	**0.1**	1.4
Net (gain) loss on sale of investments	**-**	(127.4)	**-**	-
Share of (profits) losses of associates and joint venture partnership	**56.3**	(111.4)	**-**	-
Associate dividends received	**7.1**	135.5	**-**	-
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	**640.3**	35.6	**214.5**	119.1
Decrease (increase) in other debtors	**9.8**	35.9	**(1.7)**	1.9
Decrease (increase) in other operating assets	**19.9**	(56.7)	**(0.4)**	5.3
Decrease (increase) in inventories	**189.0**	(32.6)	**52.0**	(66.1)
Increase (decrease) in trade creditors	**(364.9)**	77.2	**(141.1)**	106.5
Increase (decrease) in other creditors	**(34.6)**	(13.0)	**(11.1)**	(14.6)
Increase (decrease) in borrowing costs payable	**(15.2)**	(7.7)	**-**	-
Increase (decrease) in income taxes payable	**(213.1)**	62.6	**(32.1)**	(20.1)
Increase (decrease) in deferred tax balances	**(150.9)**	13.0	**(17.3)**	(17.7)
Increase (decrease) in other provisions and liabilities	**(70.3)**	218.3	**(7.0)**	58.7
Other variations	**(28.4)**	(13.9)	**0.1**	(1.1)
Net cash (outflow) inflow from operating activities	**424.5**	1,303.6	**(68.1)**	711.1

48 Non-cash investing and financing activities

	Consolidated		Parent	
	2009 $M	2008 $M	**2009 $M**	2008 $M
Dividend reinvestment plan	**69.8**	105.0	**69.8**	105.0

The Company has a formal dividend reinvestment plan that enables participating shareholders to receive dividends as ordinary BlueScope Steel Limited shares instead of cash. During the period a total of 13,833,380 shares were issued under this plan instead of cash (June 2008: 10,345,645 shares). No shares were issued to underwriters in the current period in exchange for cash to fund the dividend (June 2008: 12,347,764 shares issued). Refer to note 34(b) for a reconciliation of movements in ordinary share capital.

49 Earnings per share

(a) Basic earnings per share

	Consolidated	
	2009	2008
	Cents	Cents
Profit (loss) from continuing operations attributable to the ordinary equity holders of the Company	**(8.5)**	66.4
Profit (loss) from discontinued operations	**1.4**	(0.2)
Profit (loss) attributable to the ordinary equity holders of the Company	**(7.1)**	66.2

(b) Diluted earnings per share

	Consolidated	
	2009	2008
	Cents	Cents
Profit (loss) from continuing operations attributable to the ordinary equity holders of the Company	**(8.5)**	65.9
Profit (loss) from discontinued operations	**1.4**	(0.1)
Profit (loss) attributable to the ordinary equity holders of the Company	**(7.1)**	65.8

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

	Consolidated	
	2009	2008
	$M	$M
Earnings per share		
Profit (loss) from continuing operations	**(79.1)**	614.3
Profit (loss) from continuing operations attributable to minority interests	**0.4**	(16.1)
Profit (loss) from continuing operations attributable to the ordinary equity holders of the Company used in calculating earnings per share	**(78.7)**	598.2
Profit (loss) from discontinued operations	**12.3**	(2.0)
Profit (loss) attributable to the ordinary equity holders of the Company used in calculating earnings per share	**(66.4)**	596.2

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2009	2008
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	**930,570,633**	900,521,590
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**570,909**	4,793,820
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	**931,141,542**	905,315,410

(e) Earnings per share restated

In accordance with AASB 133 *Earnings per Share*, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009. The previously reported June 2008 weighted average number of shares has been adjusted by a factor of 1.21 being the market price of one ordinary share immediately before the last date of entitlement to participate in the bonus issue ($2.38), divided by the theoretical ex-rights value per share of ($1.97).

49 Earnings per share (continued)

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

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

Share rights granted to eligible senior managers under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are expected to vest based on current TSR ranking as per the 30 June 2009 Remuneration Report. Details relating to the share rights are set out in note 50.

50 Share-based payments

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

Information relating to these schemes is set out below. Further information is provided in the 30 June 2009 Remuneration Report. Refer to note 1(w)(iv) for the share-based payments accounting policy.

(a) The Long Term Incentive Plan

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

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

Plans have been granted to senior management as outlined below. Further details of each award is provided in the 30 June 2009 Remuneration Report.

Movement of share rights during the year

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2009								
24 Oct 2003	30 Sep 2008	Nil	66,677	-	(66,677)	-	-	-
31 Aug 2004	31 Oct 2009	Nil	707,001	-	(655,964)	(39,523)	11,514	11,514
18 Nov 2005	31 Aug 2010	Nil	1,528,029	-	(1,467,031)	(25,109)	35,889	35,889
20 Nov 2006	31 Aug 2011	Nil	2,001,370	-	-	(161,058)	1,840,312	-
5 Nov 2007	31 Aug 2012	Nil	1,636,482	-	-	(139,146)	1,497,336	-
14 Nov 2007	31 Aug 2012	Nil	231,053	-	-	-	231,053	-
28 Nov 2008	27 Nov 2013	Nil	-	2,248,246	-	(71,615)	2,176,631	-
Total			6,170,612	2,248,246	(2,189,672)	(436,451)	5,792,735	47,403

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2008								
30 Sep 2002	30 Sep 2006	Nil	158,200	-	(158,200)	-	-	-
24 Oct 2003	30 Sep 2008	Nil	313,549	-	(246,872)	-	66,677	66,677
13 Nov 2003	30 Sep 2008	Nil	8,637	-	(8,637)	-	-	-
31 Aug 2004	31 Oct 2009	Nil	2,040,654	-	(1,212,458)	(121,195)	707,001	48,030
18 Nov 2005	31 Aug 2010	Nil	1,701,404	-	(23,400)	(149,975)	1,528,029	-
20 Nov 2006	31 Aug 2011	Nil	2,279,450	-	(62,000)	(216,080)	2,001,370	-
5 Nov 2007	31 Aug 2012	Nil	-	1,703,792	-	(67,310)	1,636,482	-
14 Nov 2007	31 Aug 2012	Nil	-	231,053	-	-	231,053	-
Total			6,501,894	1,934,845	(1,711,567)	(554,560)	6,170,612	114,707

The exercise date for 158,200 share rights, under the September 2002 plan, was extended to 30 September 2007 which is the end of the holding lock on shares acquired under the September 2002 award.

The average share price during the period for the year ended 30 June 2009 was $4.93 (June 2008: $10.54).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 3.3 years (June 2008: 3.0 years).

50 Share-based payments (continued)

Fair value of share rights granted

The assessed fair value at grant date of share rights granted during the year ended 30 June 2009 is detailed below. The fair value at grant date is independently determined for each award using the Binomial Option Pricing Model. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share rights granted during the year ended 30 June 2009 and 30 June 2008 included:

	Nov 2008	Nov 2007 (1)	Nov 2007 (2)
Plan details			
Exercise price ($)	Nil	Nil	Nil
Grant date	28 Nov 2008	14 Nov 2007	5 Nov 2007
Latest expiry date	31 Oct 2013	31 Oct 2012	31 Oct 2012
Share rights granted	2,248,246	231,053	1,703,792
Fair value estimate at grant date ($)	1.64	6.42	6.37
Vesting conditions [a]	TSR ranking	TSR ranking	TSR ranking
Fair value inputs			
Expected life of share rights (yrs)	Minimum vesting period	Minimum vesting period	Minimum vesting period
Expected dividend yield (%)	5.0	5.1	5.1
Expected risk-free interest rate (%)	3.77	6.55	6.64
Expected share price volatility (%)	35.0	30.0	30.0
Grant date share price ($)	4.00	10.19	10.15

[a] The number of rights that vest under each plan are contingent on BlueScope Steel's TSR percentile ranking. The TSR ranking requirements differ for each plan. For further details of vesting conditions refer to the 30 June 2009 Remuneration Report.

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

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

(b) Employee share plans

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

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

The allocation of ESPs is considered on a year-by-year basis. To date, six ESPs have been offered to employees. At 30 June 2009 the following share plans were outstanding:

(i) September 2008 'General Employee Share Plan (GESP)'
The September 2008 GESP granted the option of receiving two nil-priced ordinary shares for each one share purchased at market equivalent price, up to a maximum of $1,000 per employee (or a cash reward equal in value to 45 shares in countries where the grant of shares in not practicable). The Company also offered an alternative option to receive shares to the equivalent of $500 per employee for zero cash outlay. A total of 18,722 employees participated in the plan.

(ii) November 2007 'General Employee Share Plan (GESP)'
The 2008 GESP granted two nil-priced ordinary shares to 14,821 eligible employees for each one share purchased at market equivalent price, up to a maximum of $1,000 per employee (or a cash reward equal in value to 45 shares in countries where the grant of shares is not practicable).

50 Share-based payments (continued)

(iii) March 2007 'General Employee Share Plan (GESP)'
The 2007 GESP granted two nil-priced ordinary shares to 13,766 eligible employees for each one share purchased at market equivalent price, up to a maximum of $1,000 per employee (or a cash reward equal in value to 60 shares in countries where the grant of shares is not practicable).

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

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

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

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

Shares issued under ESP rank equally with other fully paid ordinary shares on issue (refer to note 34 for number of shares issued and fair value of at grant date).

(c) Special share grants and rights

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

On 10 March 2009, 20,000 BlueScope Steel Limited shares were granted to Mr Sanjay Dayal upon his appointment to the Executive Leadership Team and Chief Executive - Asia. Share grants awarded vest in January 2012 and are entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue.

Special share grants and rights are awarded by the Board from time to time to meet specific or exceptional demands. On 1 September 2007, 486,750 special share grants were awarded to certain members of senior management as part of a management retention strategy. Special share grants vest on the fulfilment of a serving period, which ranges from 12 to 24 months from the grant date.

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

On 3 August 2007, 25,000 BlueScope Steel Limited shares were granted to Mr Mark Vassella upon his appointment to the Executive Leadership Team and Chief Executive - Australian Distribution & Solutions. Share grants awarded vest in August 2010 and are entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue.

(d) The Employee Share Purchase Plan

The Employee Share Purchase Plan (ESPP) provides facilities for Australian employees to purchase shares at market prices through salary sacrifice of STI bonus payments. The Company has had an ESPP in place since 2003. Under the plan, shares can be provided on a tax deferred basis and therefore sale or transfer is restricted. Shares provided under the plan are entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue (refer to note 34(c)).

No employee benefit expense is recognised in respect of the ESPP other than the administrative costs of the plan, which are met by the Company.

50 Share-based payments (continued)

(e) Expenses arising from share-based payment transactions

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

	Consolidated		Parent	
	2009	2008	**2009**	2008
	$'000	$'000	**$'000**	$'000
Employee share rights expense	**9.5**	10.3	**9.4**	9.6
Employee share awards expense	**13.1**	12.4	**4.2**	3.1
Total expense arising from share-based payments	**22.6**	22.7	**13.6**	12.7

The carrying amount of the liability relating to share-based payment plans at 30 June 2009 is $0.6M (June 2008: $2.0M). This liability represents the deferred cash amounts payable under the ESP.

51 Events occurring after the balance sheet date

No.5 Blast Furnace restart

The Company announced on 16 July 2009 that the No.5 Blast Furnace at Port Kembla Steelworks will restart with the furnace to be blown-in towards the end of August 2009.

Directors' declaration

In the directors' opinion:

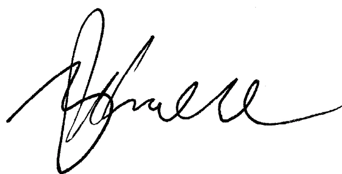
(a) the financial statements and notes set out on pages 1 to 100 are in accordance with the *Corporations Act 2001,* including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 44 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross-guarantee described in note 44.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

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



G J Kraehe, AO
Chairman

P F O'Malley
Managing Director & CEO

Melbourne
14 August 2009

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Independent Auditor's Report to the Members of BlueScope Steel Limited

Report on the Financial Report

We have audited the accompanying financial report of BlueScope Steel Limited, which comprises the balance sheets as at 30 June 2009, and the income statements, statements of recognised income and expense and cash flow statements for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. 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.

Auditor's Opinion

In our opinion:

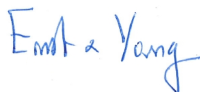
1. the financial report of BlueScope Steel Limited is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the financial position of BlueScope Steel Limited and the consolidated entity at 30 June 2009 and of their performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 11 to 33 of the directors' report for the year ended 30 June 2009. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2009, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young

B R Meehan
Partner
Melbourne
14 August 2009

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Professional Standards Legislation