BlueScope Steel Limited
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Website: www.bluescope.com
ASX Code: BSL

19 August 2013

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir,

Re: Compliance with Listing Rule 4.3A for the twelve months ended 30 June 2013

Attached in accordance with Listing Rule 4.3A is the financial report for BlueScope Steel Limited (ASX Code: BSL) for the twelve months ended 30 June 2013.

The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.

References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011 and the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors. Non-IFRS financial information, whilst not subject to audit or review, has been extracted from the financial report that has been subject to audit by our external auditors.

Yours faithfully

Michael Barron
Company Secretary
BlueScope Steel Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET

19 August 2013 – BlueScope today reported its financial results for the twelve months ended 30 June 2013

	FY2013	FY2012	Variance %
Sales from continuing operations	$7,274.2M	$8,453.6M	(14%)
Reported NPAT / (NLAT)	($84.1M)	($1,043.5M)	92%
Underlying NPAT / (NLAT) [1]	$29.7M	($237.5M)	113%
Interim ordinary dividend	0 cps	0 cps	n/a
Earnings per share (EPS)	(15.1) cps	(234.6) cps	n/a

1) Underlying results in this report are categorised as non-IFRS financial information provided to assist readers to better understand the financial performance of the underlying operating business. Please refer to Tables 2A and 2B for a reconciliation of this information to the financial report.

KEY POINTS

- Sales revenue of $7,274.2M was lower than FY2012 mainly due to lower sales of loss-making exports from Australia after the restructure implemented during FY2012, lower international and domestic selling prices and sale of Metl-Span in FY2012.
- Reported NLAT of $84.1M, a $959.4M improvement on FY2012 primarily reflecting the benefit of the Australian restructure and lower restructure, redundancy and tax impairment charges.
- Underlying NPAT of $29.7M, a $267.2M improvement on FY2012 primarily reflecting the benefit of the Australian restructure and improvement in spread with selling price reductions more than offset by lower raw material costs.
- Exceeded market guidance in 2H FY2013 with $48.8M underlying NPAT (before period-end inventory net realisable value (NRV) adjustments).
- Australian domestic flat product sales volumes of 1,782kt in FY2013, weaker than 2,005kt in FY2012 primarily due to lower sales of hot rolled coil to pipe and tube customers, and lower plate sales. 2H FY2013 domestic flat product sales of 877kt, largely in-line with 1H.
- Coated & Industrial Products Australia segment FY2013 underlying EBITDA was $150.4M driven by improved spread, lower loss-making export despatches and strong cost reduction performance offsetting higher unit operating costs. Domestic volumes were weaker than FY2012. 2H FY2013 EBITDA was $71.5M, an improvement on 1H (after adjusting 1H for the one-off benefit of workers compensation settlement) driven by lower inventory NRV provisions, improved spread and strong cost reduction performance partly offset by higher export despatches.
- Building Components & Distribution Australia segment generated an underlying EBIT loss of $24.8M reflecting margin improvement and restructuring benefits.
- NZ Steel & Pacific saw significant improvement in 2H as anticipated. Full year underlying EBIT was $42.5M, $40.5M in 2H from higher iron sands volumes and prices, improved fixed cost recoveries and fewer maintenance outages.
- Building Products segment underlying EBIT was up 55% to $79.6M primarily due to higher spreads and improvements in our Thailand, Vietnam and North America businesses.
- Global Building Solutions underlying EBIT declined by 19% to $26.4M. Excluding the one-off impact of an $7.7M prior period provision adjustment, the result exceeded the $32.5M FY2012 performance with strong contributions from Buildings North America (following restructuring and an improving market), and Building Products China offset by weaker earnings from Buildings Asia due to lower China volumes.
- Hot Rolled Products North America earnings result of A$66.7M, improved A$4.5M on FY2012. Cost control and decreased depreciation charges offset the earnings impact of slightly weaker spreads.
- Coated Products Joint Venture with Nippon Steel & Sumitomo Metal Corporation (NSSMC) has been established. Proceeds of US$541.6M received on 28 March 2013, with subsequent US$29.5M net working capital and debt adjustment received in June 2013.
- Net debt at 30 June 2013 of $148.4M, and continuing strong liquidity (undrawn debt plus cash) of A$1,576.0M.
- Outlook: We expect to maintain Company performance and deliver a profitable 1H FY2014 (pre period-end NRV adjustments), however given uncertainty in domestic Australian demand we do not expect a 1H FY2014 outcome better than the 2H FY2013 outcome (subject to spread, FX and market conditions).
- BlueScope today announced it has agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.

KEY FINANCIAL MEASURES

Key Financial Measures – Twelve months ended 30 June 2013 and 30 June 2012 [1]

$M unless marked	FY2013	FY2012	Variance %
Total revenue [2]	7,290.3	8,621.3	(15%)
EBITDA – underlying [3]	418.3	98.9	323%
EBIT – reported [3]	51.7	(819.9)	106%
EBIT – underlying [3]	102.8	(224.3)	146%
Finance costs	(82.9)	(120.4)	31%
(NLAT) / NPAT attributable to BSL shareholders - reported - underlying	(84.1) 29.7	(1,043.5) (237.5)	92% 113%
Earnings per share	(15.1) cps	(234.6) cps	-
Interim dividend	0 cps	0 cps	-
Final dividend	0 cps	0 cps	-
Return on invested capital	1.2%	(16.0%)	-
Net debt	148.4	383.9	(61%)
Gearing	3.2%	9.2%	-
Net tangible assets per share	6.12 cps	5.47 cps	-

1)	Tables 2A and 2B explain why management have disclosed underlying results and reconciles underlying earnings to reported earnings.		
2)	Excludes the Company's 50% share of NSBSL revenue of:	620.7	683.2
	Includes revenue other than sales revenue of:	16.1	18.6
3)	Includes 50% share of net profit from NSBSL of:	69.6	63.9

Consolidated Cash Flow

$M	FY2013	FY2012	Variance %
Reported EBITDA	367.3	(489.1)	175%
Add cash / (deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(0.5)	30.2	(102%)
- Impaired assets	2.6	319.9	(99%)
- Net (gain) loss on sale of assets	(37.3)	(29.7)	(26%)
- Expensing of share-based employee benefits	11.5	7.0	64%
Cash EBITDA	343.6	(161.7)	313%
Changes in working capital	(30.8)	616.6	(105%)
Gross operating cash flow	312.8	454.9	(31%)
Net finance costs paid [1]	(87.4)	(106.0)	18%
Tax received / (paid) [2]	(64.4)	(81.5)	(21%)
Net cash from operating activities	161.0	267.4	(40%)
Capex: payments for P, P & E and intangibles	(302.8)	(229.5)	(32%)
Other investing cash flows	(6.7)	149.8	(104%)
Net cash flow before financing	(148.5)	187.7	(179%)
Equity issues	-	576.1	(100%)
Dividends	(3.4)	(5.0)	33%
Transactions with non-controlling interests	438.9	-	-
Net drawing / (repayment) of borrowings	(6.1)	(719.3)	99%
Net increase / (decrease) in cash held	280.9	39.5	611%

1) FY2013 net finance cost includes one-off charges of $21.1M relating to the repurchase of U.S. Private Placement Notes and issuance of US$300M unsecured notes. FY2012 includes one-off charges of $8.3M associated with restructuring existing financing facilities.
2) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 30 June 2013, in excess of $2.7B. There will be no Australian income tax payments until these are recovered.

BlueScope Steel Limited

ABN 16 000 011 058

Directors' Report for the year ended 30 June 2013

The Directors of BlueScope Steel Limited ("BlueScope Steel") present their report on the consolidated entity ("BlueScope Steel Group" or "the Company") consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2013.

OPERATING & FINANCIAL REVIEW

FINANCIAL RESULTS

The BlueScope Steel Group comprises six reportable operating segments: Coated & Industrial Products Australia (CIPA); Building Components & Distribution Australia (BCDA); New Zealand & Pacific Steel Products (NZPac); Global Building Solutions (GBS); Building Products ASEAN, North America and India (BP); and Hot Rolled Products North America (HRPNA).

TABLE 1: RESULTS SUMMARY

	Revenue		Reported Result[1]		Underlying Result[2]	
$M	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Sales revenue/EBIT[2]						
Coated & Industrial Products Australia	3,349.4	4,279.6	(44.9)	(725.8)	(20.3)	(327.3)
Building Components & Distribution Aust	1,375.6	1,486.2	(30.4)	(227.3)	(24.8)	(45.9)
New Zealand & Pacific Steel Products	681.0	755.0	42.5	64.7	42.5	68.6
Global Building Solutions	1,363.3	1,446.3	18.4	(6.4)	26.4	32.5
Building Products ASEAN, NA & India	1,635.5	1,643.7	70.5	51.3	79.6	51.2
Hot Rolled Products North America	0.0	0.0	66.7	62.2	66.7	62.2
Discontinued operations	0.0	164.1	(0.4)	38.5	0.0	(0.0)
Segment revenue/EBIT[2]	8,404.8	9,774.9	122.4	(742.8)	170.1	(158.7)
Inter-segment eliminations	(1,130.6)	(1,172.2)	(5.9)	3.7	(5.9)	3.7
Segment external revenue/EBIT	7,274.2	8,602.7	116.5	(739.1)	164.2	(155.0)
Other revenue/(net unallocated expenses)	16.1	18.6	(64.8)	(80.8)	(61.5)	(69.4)
Total revenue/EBIT[2]	7,290.3	8,621.3	51.7	(819.9)	102.8	(224.3)
Net borrowing costs			(79.3)	(117.3)	(66.2)	(109.0)
Profit/(loss) from ordinary activities before income tax			(27.6)	(937.2)	36.6	(333.3)
Income tax (expense)/benefit			(35.0)	(90.7)	14.6	111.4
Profit/(loss) from ordinary activities after income tax expense			(62.6)	(1,027.9)	51.2	(221.9)
Net (profit)/loss attributable to outside equity interest			(21.5)	(15.6)	(21.5)	(15.6)
Net profit/(loss) attributable to equity holders of BlueScope Steel			(84.1)	(1,043.5)	29.7	(237.5)
Basic earnings per share (cents)			(15.1)	(234.6)	5.3	(53.4)

1) The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.
2) References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011 and the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors. Non-IFRS financial information, whilst not subject to audit or review, has been extracted from the financial report, which has been subject to audit by our external auditors.

TABLE 2A: RECONCILIATION OF UNDERLYING EARNINGS TO REPORTED EARNINGS

Management have provided an analysis of unusual items included in the reported IFRS financial information. These items have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying operating business. Throughout this report management have used the term 'reported' to reference IFRS financial information and 'underlying' to reference non-IFRS financial information. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. Non-IFRS financial information whilst not subject to audit or review has been extracted from the financial report which has been audited by our external auditors. An explanation of each adjustment and reconciliation to the reported IFRS financial information is provided in the table below.

	EBITDA $M		EBIT $M		(NLAT) / NPAT $M		EPS $ [9]	
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Reported earnings	367.3	(489.1)	51.7	(819.9)	(84.1)	(1,043.5)	(0.15)	(2.35)
Underlying adjustments:								
Net (gains)/losses from businesses discontinued [1]	8.4	(46.1)	8.4	(38.5)	4.2	(3.8)	0.01	(0.01)
Steel Transformation Plan [2]	45.8	(100.0)	45.8	(100.0)	32.1	(70.0)	0.06	(0.16)
Business development and pre-operating costs [3]	2.5	6.7	2.5	6.7	1.8	4.7	0.00	0.01
Asset impairments [4]	0.0	318.6	0.0	318.6	0.0	315.0	0.00	0.71
Restructure and redundancy costs [5]	31.9	412.3	31.9	412.3	20.4	288.4	0.04	0.65
Asset sales [6]	(37.5)	(3.4)	(37.5)	(3.4)	(26.3)	(2.4)	(0.05)	(0.01)
Borrowing amendment fees [7]	0.0	0.0	0.0	0.0	9.2	5.8	0.00	0.01
Tax asset impairment [8]	0.0	0.0	0.0	0.0	72.5	268.3	0.13	0.60
Underlying earnings	418.3	98.9	102.8	(224.3)	29.7	(237.5)	0.05	(0.53)

1) FY2013 reflects adjustment to the income tax expense in relation to the sale of Metl-Span and an $8M (pre-tax) prior period provision adjustment relating to a business discontinued in GBS (not required to be recorded in the financial statements as a discontinued operation). FY2012 reflects pre-tax profit/post tax loss on sale of the Metl-Span business during June 2012, Metl-Span earnings during FY2012 and a foreign exchange translation gain within the Lysaght Taiwan business.
2) FY2013 reflects the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are now being incurred at CIPA. FY2012 reflects the exclusion from underlying earnings the receipt of $100M (pre-tax) advance under the STP.
3) FY2013 and FY2012 reflects Corporate business development costs.
4) FY2012 reflects non-current asset impairments in the Australian business comprising Distribution goodwill ($157M pre-tax), CIPA fixed assets ($136M pre-tax), Lysaght goodwill ($10M pre-tax) and BlueScope Water and BlueScope Buildings goodwill and fixed assets ($11M pre-tax) due to a slower recovery in the domestic demand than previously expected and a higher discount rate applied to expected future cash flows as a result of increased volatility in equity markets. In addition, there were impairment of assets in GBS North America ($4M pre-tax) associated with restructuring.
5) FY2013 reflects staff redundancies and restructuring costs at CIPA ($16M pre-tax) mainly in relation to rationalising production levels at Western Port, BP ($9M pre-tax), BCDA ($6M pre-tax) and Corporate ($1M pre-tax). FY2012 reflects staff redundancies and restructuring costs at CIPA ($363M pre-tax), in relation to the move to a one blast furnace operation at Port Kembla Steelworks; BCDA ($14M pre-tax); GBS North America ($23M pre-tax); BP North America ($3M pre-tax); NZPac ($4M pre-tax); and Corporate ($5M pre-tax).
6) FY2013 reflects profit on sale of a previously unrecognised intangible asset at CIPA ($38M pre-tax).
7) FY2013 reflects make-whole payment associated with buy-back of remaining U.S. Private Placement Notes. FY2012 reflects the costs associated with restructuring existing financing facilities following the decision to move to a one blast furnace operation at Port Kembla Steelworks.
8) FY2013 and FY2012 reflects impairment of Australian deferred tax assets generated during each respective period.
9) Earnings per share is based on the average number of shares on issue during the respective reporting periods, ie. 558.2M in FY2013 vs. 444.8M in FY2012. (In accordance with AASB 133 the earnings per share calculations have been restated for the share consolidation undertaken in December 2012, resulting in the number of shares on issue at that time reducing from 3.35 billion to 558 million (adjusted by a division of six, being the conversion of every six shares in the Company into one ordinary share in the Company). The comparative period has been restated on a similar basis).

TABLE 2B: UNDERLYING EBIT ADJUSTMENTS TO FY2013 REPORTED SEGMENT RESULTS

FY2013 underlying EBIT adjustments $M	CIPA	BCDA	NZPac	HRPNA	GBS	BP	Corp	Disc Ops	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	0.0	8.0	0.0	0.0	0.4	8.4
Steel Transformation Plan	45.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.8
Business development and pre-operating costs	0.0	0.0	0.0	0.0	0.0	0.0	2.5	0.0	2.5
Asset sales	(37.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(37.5)
Restructure and redundancy costs	16.3	5.6	0.0	0.0	0.0	9.1	0.9	0.0	31.9
Underlying adjustments	24.6	5.6	0.0	0.0	8.0	9.1	3.4	0.4	51.1

GROUP-LEVEL MANAGEMENT DISCUSSION & ANALYSIS FOR FY2013 VS FY2012

BLUESCOPE'S OPERATIONS AND SIGNIFICANT CHANGES

BlueScope is a flat steel producer for the domestic Australian, New Zealand and U.S. markets, and is a leading international supplier of steel products and solutions principally focused on the global building and construction markets.

BlueScope is Australia's largest steel manufacturer by volume, and New Zealand's sole flat steel producer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce steel slab, hot rolled coil, cold rolled coil, steel plate and value-added metallic coated and painted products. BlueScope enjoys strong market shares in many of the Australian and New Zealand sectors in which it operates, serving customers in the building and construction, manufacturing, automotive and transport, agricultural and mining industries. BlueScope's flat steel products are sold directly to customers from the Coated & Industrial Products Australia (CIPA) segment and by the Building Components & Distribution Australia (BCDA) segment through a national network of service centres and steel distribution sites throughout Australia.

BlueScope is a technology leader in metal coated and painted steel building products, principally focused on the Asia-Pacific region, with a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

The Company has an extensive footprint of metallic coating, painting and steel building product operations in China, India, Indonesia, Thailand, Vietnam, Malaysia and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential construction industry in North America. BlueScope operates in ASEAN and North America in partnership with Nippon Steel & Sumitomo Metal Corporation (NSSMC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSSMC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

BlueScope is a leading global supplier of engineered building solutions (EBS) to industrial and commercial markets. Its EBS value proposition is based on speed of construction, low total cost of ownership and global delivery capability. Leading brands, including BUTLER® and VARCO PRUDEN®, are supplied from BlueScope's global supply chain and major manufacturing and engineering centres in Asia and North America.

BlueScope is a 50% joint venture partner in the North Star BlueScope Steel (NSBSL) mini-mill located in Delta, Ohio. NSBSL is strategically located in one of the largest scrap markets of North America and is a low cost regional supplier of hot rolled coil. The venture is jointly controlled and therefore equity accounted.

The following major changes to BlueScope's operations occurred during the period:

- On 1 July 2012, BlueScope reorganised its management structure to focus on growth in the global EBS market and building products market. BlueScope Global Building Solutions (GBS) comprises the Company's North American EBS businesses, the entire China business and all EBS businesses in ASEAN. BlueScope Building Products (BP) comprises the Company's metal coating, painting and roll-forming businesses in ASEAN, North America and India. Changes to its external reporting segments first applied in respect of the half-year ending 31 December 2012.
- On 28 March 2013, BlueScope sold 50% of its interest in the ASEAN and North American operations in the Building Products segment to Nippon Steel & Sumitomo Metal Corporation (NSSMC) for proceeds of US$571.1M (including US$29.5M adjustment for net working capital received in June 2013), establishing the NS Coated Products Joint Venture. BlueScope has appointed, and will appoint the CEO and continue to control and therefore consolidate the JV in its financial statements. NSSMC has appointed, and will appoint the Chairman.

FINANCIAL PERFORMANCE

Total revenue

The $1,331.0M (15%) decrease in group total revenue principally reflects:

- lower export volumes following the closure of No. 6 Blast Furnace and lower domestic volumes, predominantly HRC and plate, driven by increased import competition and lower activity levels, at CIPA
- lower international and domestic steel prices across all segments
- disposal of Metl-Span during FY2012
- reduced volumes at BCDA arising from increased import competition and continued tough trading conditions and at GBS, particularly in Buildings Asia. Partly offset by improved volumes in the BP segment, mainly Indonesia, Thailand and Steelscape.

These were partly offset by a favourable product mix at CIPA.

EBIT performance

The $327.1M increase in underlying EBIT on FY2012 reflects:

- $89.3M improvement in spread, comprised of:
  - $461.6M benefit from lower raw material costs, in large part due to lower coal and iron ore purchase prices combined with favourable iron ore feed mix at CIPA, together with lower steel feed costs at BP, GBS and BCDA
  - $372.3M unfavourable movement in steel prices, with lower international and domestic steel prices across all segments
- $144.3M contribution from sales volumes and product mix, due to:
  - a decrease in loss making export volumes partly offset by lower domestic volumes (predominantly HRC and plate) mainly driven by increased import competition and lower activity levels, at CIPA
  - favourable product mix at CIPA with a higher proportion of domestic painted sales and lower export slab sales
- $84.5M favourable movement in costs, driven by:
  - $223.1M cost improvement initiatives from lower labour including contractors, repairs and maintenance, operational, overhead and discretionary costs
  - $91.1M cost escalation from utilities, employment, consumables and other costs
  - $41.8M higher one-off and discretionary costs:
    - higher per unit fixed conversion costs as a result of restructuring to reduce production volumes at CIPA
    - partly offset by favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy at CIPA
  - $5.7M unfavourable movement in other costs
- $4.5M favourable impact from exchange rate movements

- $5.4M benefit from NSBSL (equity accounted)
- $0.9M unfavourable movement in other items.

The $871.8M increase in reported EBIT on FY2012 reflects the movement in underlying EBIT discussed above and $544.7M of favourable year-on-year underlying adjustments explained in Tables 2A and 2B.

Finance costs

The $37.5M decrease in finance costs compared to FY2012 was largely due to a $416.9M decrease in average gross borrowings to $812.8M and a lower average cost of drawn debt (5.2% for FY2013, 7.1% for FY2012) combined with one-off costs in FY2012 associated with restructuring existing financing facilities ($8.3M). FY2013 includes $13.1M one-off costs associated with buy-back of the remaining U.S. Private Placement Notes and issuance of US$300M of unsecured notes.

Tax

Net tax expense of $35.0M (FY2012 $90.7M) includes a net $55.8M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $72.5M allocated to tax expense and a $16.7M credit allocated to retained earnings (related to defined benefit superannuation fund actuarial adjustments).

The Company has deferred the recognition of any further Australian deferred tax asset until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

Dividend

The Directors did not declare a final dividend for FY2013.

FINANCIAL POSITION

Net assets

Net assets increased $681.5M to $4,460.3M at 30 June 2013 from $3,778.8M at 30 June 2012, primarily driven by:

- $102.6M increase in the value of receivables principally due to recognition of a $83.0M receivable in respect of the remaining portion of the Steel Transformation Plan (STP) grant to be received (a corresponding deferred income liability has been recorded)
- $124.0M increase in the carrying value of property, plant and equipment mainly from capital expenditure additions of $325.8M (primarily China Xi'an project $45.9M, preparations for Next Generation ZINCALUME® steel $29.0M and Air Separation Unit finance lease asset at NZPac $26.3M) and $108.5M exchange fluctuation gains due to a weaker AUD offset by depreciation expense of $287.6M
- $64.0M decline in current tax liabilities including payment of tax in relation to the sale of Metl-Span
- $142.2M increase in deferred income primarily due to, recording of the remaining $83.0M of STP grant, $18.8M of emissions-intensive, trade-exposed (EITE) carbon permits issued in advance under the Australian carbon pricing mechanism and $40.4M increase in income received in advance for construction contracts and product ordered
- $215.0M decline in retirement benefits obligation liability arising primarily from $196.2M of actuarial gain mainly from an increase in discount rates and higher than expected asset returns
- $235.6M decrease in net debt to $148.4M mainly driven by the successful establishment of the NS Coated Products Joint Venture and movements in the items above.

Funding

During the period, BlueScope fully repurchased its U.S. Private Placement Notes for US$236.6M, including US$17.0M of accrued interest and make-whole fees. The repurchases were funded in U.S. dollars using existing undrawn lines under the Company's Syndicated Bank Facility.

The Company diversified its funding sources and extended its average debt maturity through the issue of US$300M of five-year senior unsecured notes under Rule 144a. The notes were issued on 16 April 2013 with an annual interest rate of 7.125%.

Committed available undrawn capacity at 30 June 2013 under bank debt facilities ($1,062.3M), plus cash ($513.7M) was $1,576.0M ($1,583.3M at 30 June 2012).

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2013

Agreement to acquire Orrcon and Fielders from Hills Holdings Limited

On 19 August 2013 BlueScope announced it has agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.

BlueScope will acquire Orrcon and Fielders for a combined purchase price of $87.5 million, which largely represents the working capital embedded in the respective businesses, and expects to incur net integration costs of $15 million.

Following integration, in FY2015 the acquisitions are expected to exceed BlueScope's return on capital hurdle and be EPS accretive.

These businesses are close to BlueScope's core Australian operations. The Company's objective is to improve the efficiency with which it can serve Australian customers by further lowering costs through the integration of these businesses with its existing operations.

These acquisitions are subject to Australian Competition and Consumer Commission approval and typical conditions precedent. Completion of the acquisitions is targeted for the end of the December 2013 quarter.

1H FY2014 OUTLOOK

We expect to maintain Company performance and deliver a profitable 1H FY2014 (pre period-end NRV adjustments), however given uncertainty in domestic Australian demand we do not expect a 1H FY2014 outcome better than the 2H FY2013 outcome (subject to spread, FX and market conditions).

BUSINESS STRATEGIES AND PROSPECTS

BlueScope's overall strategy is to increase its position as a leading international supplier of steel products and solutions principally focused on the global building and construction markets, while generating maximum value from existing flat steel operations in Australia, New Zealand and North America.

BlueScope has developed a number of specific business strategies as part of its overall strategy. These are:

- *Maintain leading market positions in Australia and New Zealand while improving profitability of its integrated flat steel operations*. BlueScope's broad objective in both the Australian and New Zealand markets is to improve profitability by maintaining its current market shares and reducing its cost base, while continuing to develop innovative products and services and enhanced customer relationships. The business is continually looking to serve the market more effectively and efficiently, which may include small acquisitions close to its existing core operations.
- *Accelerate growth in engineered building solutions*. BlueScope seeks to build on its position as a leading global supplier of EBSs, with a value proposition that is based on design capability, product innovation, speed of construction, low total cost of ownership and global delivery capability.
- *Grow leading position and enhance profitability in metal coated and painted steel building products.* BlueScope seeks to grow across Asia-Pacific with a portfolio of highly competitive, locally manufactured premium sustainable products.
- *Exploit growth opportunities in the North American hot rolled products business*. BlueScope seeks to maintain profitability with low cost, highly flexible operations and a strong focus on customer relations, and to continue to explore brownfield expansion opportunities to grow earnings.
- *Maintain a strong balance sheet.* BlueScope seeks to manage liquidity through the economic cycle and support profitable growth initiatives.

Future prospects and risks

BlueScope's financial performance since the global financial crisis in FY2009 has been impacted by slower demand for its products in Australia and North America, higher raw material costs without a corresponding increase in global commodity steel prices, and a stronger Australian dollar. These factors are outside BlueScope's control. However, the Company has undertaken significant restructuring and other initiatives in recent years across all its operating segments to return BlueScope to an underlying profit in FY2013.

BlueScope has regard to a number of recognised external forecasters when assessing possible future operating and market conditions. These forecasters expect a modest improvement in the key drivers impacting our Australian business in the next 12 months, but in the longer term forecast a continued strengthening of the U.S. dollar relative to the Australian dollar, lowering of iron ore and coal raw material costs relative to global commodity steel prices and an increase in domestic demand for steel products. In addition, recognised external forecasters expect an improvement in non-residential building and construction activity in North America.

The Company's strategies take into account these expected operating and market conditions. However, predicting future operating and market conditions is inherently uncertain. If these estimates are ultimately inaccurate, including as to timing and degree of improvement, BlueScope may not be able to effectively implement its contemplated strategies and its financial prospects may be adversely impacted.

BlueScope is also exposed to a range of market, operational, financial, cultural and governance risks common to a multinational company. The Company has risk management and internal control systems to manage material business risks.

The nature and potential impact of risks change over time. There are various risks that could impact the achievement of BlueScope's strategies and financial prospects. These include, but are not limited to:

(a) Continuing weak economic conditions or another economic downturn.

The global financial crisis in FY2009 caused a reduction in worldwide demand for steel, and the subsequent recovery has been slow and uncertain. Although the global economy has improved to some extent since FY2009, there is no assurance that this trend will continue. Another economic downturn in developed economies or significantly slower growth in emerging economies could have a material adverse effect on the global steel industry which may affect demand for the Company's products and financial prospects.

(b) A significant cyclical or permanent downturn in the industries in which the Company operates.

The Company's financial prospects are sensitive to the level of activity in a number of industries, but principally the building, construction and manufacturing industries. These industries are cyclical in nature with the timing, extent and duration of these economic cycles unpredictable. Because many of the Company's costs are fixed, it may not readily be able to reduce its costs in proportion to an economic downturn and therefore any significant, extended or permanent downturn could negatively affect the Company's financial prospects, as would the permanent closure of significant manufacturing operations in response to a sustained weak economic outlook or loss of key customer relationships.

(c) Declines in the price of steel, or any significant and sustained increase in the price of raw materials in the absence of corresponding steel price increases.

The Company's financial prospects are sensitive to the long-term price trajectory of international steel products and key raw material prices. A significant and sustained increase in the price of raw materials, in particular iron ore and coking coal, with no corresponding increase in steel prices, would have an adverse impact on the Company's financial prospects. A decline in the price of steel with no corresponding decrease in the price of raw materials would have the same affect.

In addition to these long-term trends, the price of raw materials and steel products can fluctuate significantly in a reasonably short period of time affecting the Company's short-term financial performance. In particular this relates to commodity products such as slab, plate, hot rolled coil, cold rolled coil, and some metallic coated steel products.

(d)The Company is exposed to the effects of exchange rate fluctuations.

The Company's financial prospects are sensitive to foreign exchange rate movements, in particular the Australian dollar relative to the U.S. dollar. A strengthening of the Australian dollar relative to the U.S. dollar could have an adverse effect on the Company. This is because:

- export sales are typically denominated in U.S. dollars, offset in part by a significant amount of raw material purchases being denominated in U.S. dollars
- a strong Australian dollar makes imported steel products less expensive to Australian customers, potentially resulting in more imports of steel products into Australia
- a strong Australian dollar affects the pricing of steel products in some Australian market segments where pricing is linked to international steel prices
- earnings from its international businesses must be translated into Australian dollars for financial reporting purposes.

(e) Competition from other materials and from other steel producers could significantly reduce market prices and demand for the Company's products.

In many applications, steel competes with other materials such as aluminium, concrete, composites, plastic and wood. Improvements in the technology, production, pricing or acceptance of these competitive materials relative to steel could result in a loss of market share or margins.

In addition, the Company faces competition from imports into most of the countries in which it operates. Increases in steel imports could negatively impact demand for or pricing of the Company's products. If the Company is unable to maintain its current market position or to develop new channels to market for its existing product range, its financial prospects could be adversely impacted.

Other risks that could affect BlueScope include:

- not being able to realise or sustain expected benefits of internal restructuring, project developments, joint ventures or future acquisitions
- significant asset impairment, particularly if weak market conditions persist
- an inability to maintain, extend or renew key raw material, operational services and funding on favourable terms relative to our competitors
- a major operational failure or disruption
- changing government regulation including environmental, greenhouse gas emissions, tax, occupational health and safety, and trade restrictions in each of the countries in which we operate
- potential legal claims, including the existing dispute with the Australian Taxation Office in relation to a sale and leaseback transaction entered into by the Company in 2007
- loss of key Board, management or operational personnel
- substantial Company contributions to its employees' defined benefit funds, which are currently underfunded
- industrial disputes with unions that disrupt operations.

This document sets out information on the business strategies and prospects for future financial years, and refers to likely developments in BlueScope's operations and the expected results of those operations in future financial years. This information is provided to enable shareholders to make an informed assessment about the business strategies and prospects for future financial years of BlueScope. Detail that could give rise to likely material detriment to BlueScope, for example, information that is commercially sensitive, confidential or could give a third party a commercial advantage has not been included. Other than the information set out in this document, information about other likely developments in BlueScope's operations in future financial years has not been included.

BLUESCOPE AUSTRALIA & NEW ZEALAND

COATED & INDUSTRIAL PRODUCTS AUSTRALIA

CIPA is the leading supplier of flat steel products in Australia, offering a wide range of products to Australian and export customers, including hot rolled coil, plate cold rolled coil, zinc/aluminium alloy-coated ZINCALUME® steel and galvanized and pre-painted COLORBOND® steel. The CIPA segment includes manufacturing facilities at Port Kembla (NSW) and Western Port (Victoria).

KEY FINANCIAL & OPERATIONAL MEASURES

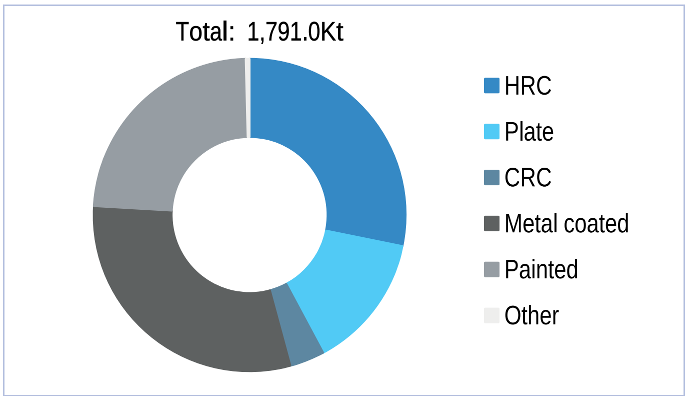
Table 3: Segment financial performance

$M	FY2013	FY2012	Var %	2H FY2013
Sales revenue	3,349.4	4,279.6	(22%)	1,681.5
Reported EBIT	(44.9)	(725.8)	94%	(52.3)
Underlying EBIT	(20.3)	(327.3)	94%	(14.7)
NOA (pre tax)	2,067.5	2,003.3	3%	2,067.5

Table 4: Steel sales volume

'000 tonnes	FY2013	FY2012	Var %	2H FY2013
Domestic	1,791.0	1,990.6	(10%)	888.4
Export	823.9	1,553.6	(47%)	478.6
Total	2,614.9	3,544.2	(26%)	1,367.0

Chart 1: CIPA domestic steel sales volume mix FY2013



FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The $930.2M decrease in sales revenue is primarily due to:

- lower export volumes following the closure of No. 6 Blast Furnace
- lower domestic volumes (predominantly HRC and plate, driven mainly by increased import competition and lower activity levels)
- lower global steel prices and flow-on impact to domestic prices.

These were partly offset by an improved mix with a higher proportion of domestic painted sales and lower export slab sales.

EBIT performance

The $307.0M increase in underlying EBIT was largely due to:

- improved spread driven by lower coal and iron ore purchase prices combined with favourable iron ore feed mix, but partly offset by lower global steel prices and flow-on impact to domestic prices combined with increased competition from imports
- a decrease in loss making export volumes
- one-off $36.6M favourable adjustment to the provision for workers compensation following an agreement with an insurance provider relating to a workers compensation insurance policy
- continued delivery of cost improvement initiatives combined with tight control of spend rates.

These were partly offset by:

- higher per unit costs due to fixed conversion costs spread over lower production volumes as a result of the move to single blast furnace operations in October 2011
- lower domestic volumes, predominantly HRC and plate, driven by increased import competition and lower demand levels in the Australian economy.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets were 3% higher than at 30 June 2012 primarily due to a decrease in the defined benefits superannuation provision driven mainly by actuarial adjustments and fewer members following business restructuring.

MARKETS AND OPERATIONS

Direct sales to Australian building sector

- Sales volume within the domestic building sector declined 17kt to 616kt in FY2013 compared to 633kt in FY2012.
- Conditions within both residential and non-residential construction continue to remain challenging:
  - Residential: Whilst positive trends are emerging in both housing finance and new building approvals data, the loss of first home buyer incentives and constrained confidence appear to be dragging on the market.
  - Non-residential: Activity remains constrained by lack of investor confidence and funding availability. The Australian Industry Group's Performance of Construction index remained very weak over the course of FY2013, averaging around 36 points (unchanged from FY2012).
- BlueScope maintained market share for its painted and non-painted metallic coated steel products.
- Average pricing for non-painted metallic coated products declined compared to FY2012, largely due to weaker global steel prices and increased competition from imports.
- Pricing of COLORBOND® steel increased 4% in October 2012.

Sales to Distributors and direct non-building sector customers

- Sales volumes to distributors and non-building sector customers declined 180kt to 1,169kt in FY2013 compared to 1,350kt in FY2012.
- Pipe and tube industry customers have been impacted by weak market conditions in the structural pipe market, with closures in both the oil & gas and precision tube segments, combined with low project activity.
- Slowing demand growth for Australian commodities (including from China) and cost containment by the major mining companies is seeing a slowing in mining investment and therefore sales to this end-use segment.

- Sales to manufacturing and automotive industry customers have continued to be impacted by soft domestic consumer demand as well as reduced competitiveness due to the relatively strong Australian dollar and rising conversion costs. The Australian Industry Group's Performance of Manufacturing index remained very weak over the course of FY2013, averaging around 43 points (down 3 points from FY2012).
- Distribution customers maintained low to moderate inventory levels throughout FY2013 due to volatility in prices and market conditions with volume growth weakened by slowing investment in the mining, engineering construction, residential construction and automotive industries.
- Intense import competition (particularly in plate products) continued in FY2013, driven by the high Australian dollar and low global demand for steel products. BlueScope maintained relative price competitiveness to defend against market share loss.
- Average pricing for industrial products declined compared to FY2012 largely due to soft global steel prices and increased competition from imports.

Export markets

- Despatches to export market customers in FY2013 of 0.82Mt (~75% uncoated flat products / ~25% coated products) were significantly lower than the 1.55Mt in FY2012 following the closure of No.6 Blast Furnace in October 2011.
- Prices in FY2013 softened compared to FY2012 as continued global uncertainty fuelled weaker steel demand, declines in raw material prices and steel over-capacity worldwide.

Anti-dumping cases

In the past 18 months, BlueScope has filed applications to the Australian Anti-Dumping Commission (ADC, formerly part of Customs) concerning dumping and countervailing subsidisation of steel imported into Australia, which has caused financial injury to BlueScope. In each case, ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred. Status of each application is as follows:

- Hot rolled coil: In October 2012, the ADC announced provisional dumping duties for Japan, Korea, Malaysia and Taiwan. The final determination was released by the Minister on 19 December 2012, confirming there had been dumping by all countries investigated, with margins ranging between 3% and 15%. Following a further review, in July 2013 the ADC announced changes to further strengthen an element of duty calculation.
- Zinc coated and aluminium zinc coated steel: In February 2013 Customs put in place provisional duties ranging between 3% and 61% on dumping from Korea, China and Taiwan. The ADC has also put in place countervailing duties (which are not additive to dumping duties) of between 0% to 24% on imports from China. The Attorney General released his final determination on both dumping and countervailing in August 2013, confirming interim duties.
- Plate: In July 2013 the ADC put in place provisional duties ranging between 9% and 26% on certain exports from Korea, China, Indonesia and Japan. A China mill supplying 'other alloy steel', Taiwan and two large volume Korean mills have found not to be dumping at this stage. The ADC is to deliver a final recommendation on duties to the Minister by mid-October 2013.

Operations

- To enable manufacturing of our new Next Generation ZINCALUME® steel with Activate™ technology, metal coating lines No.1 and No.3 at Port Kembla underwent equipment upgrades. This technology forms the platform for manufacturing of the next generation of coated steel products that commenced in 2H FY2013.
- In March 2013, cold rolling, metal coated and painted steel production was reconfigured. This has resulted in a decrease to production levels at Western Port, while still allowing for additional throughput when demand improves. Some 110 employees and 60 contractors located at Western Port left the business. The cash cost to implement this change was $17M, which will be recovered within one year through ongoing improvements to the operating cost base.
- Changes to iron ore supply arrangements:
  - The Grange Resources contract for the supply of iron ore pellets concluded in November 2012.
  - 126Kt of iron sands was supplied to the Port Kembla Steelworks from New Zealand Steel during FY2013.
- Enterprise bargaining agreement negotiations:
  - Western Port agreement completed in August 2012, applicable until expiry on 31 October 2014.
  - Port Kembla and Springhill agreement approved by employees in June 2013. Agreement awaiting procedural Fair Work Australia approval.

BUILDING COMPONENTS & DISTRIBUTION AUST

The BCDA segment is comprised of a network of 90 roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, automotive, white goods manufacturing and general manufacturing industries.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 5: Segment performance

$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue	1,375.6	1,486.2	(7%)	655.2
Reported EBIT	(30.4)	(227.3)	87%	(20.2)
Underlying EBIT	(24.8)	(45.9)	46%	(18.0)
NOA (pre-tax)	322.5	328.8	(2%)	322.5
Despatches	712.9kt	757.6kt	(6%)	348.4kt

FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The $110.6M decrease in sales revenue was mainly due to reduced volumes arising from increased imports and continued tough trading conditions combined with the adverse price impact of lower global steel prices and import competition.

EBIT performance

The $21.1M improvement in underlying EBIT was largely due to:

- improved margin due to lower steel feed costs partly offset by lower average selling prices
- cost benefits realised from the Distribution site restructure and ongoing tight control over discretionary spending.

These were partly offset by decreased volumes driven by increased import competition and continued tough trading conditions.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets decreased $6.3M to $322.5M at 30 June 2013.

MARKETS AND OPERATIONS

BlueScope Distribution

- Following the restructure announced in FY2012, further restructuring was implemented in FY2013:
  - An additional three branches rationalised in 1H FY2013.
  - Further branch closure in 2H FY2013.
  - Permanent overhead reductions.
- Volumes were down approximately 5% on FY2012 (normalised for closed/sold branches) with the most significant driver being the continued difficult trading environment.
- Activity in key end-use sectors was weaker:
  - Engineering construction activity contraction largely driven by tight credit conditions and shortage of tender opportunities.
  - Residential and non-residential construction activity was also weaker year on year due to ongoing economic uncertainty, tight credit conditions, weak consumer confidence and uncertainty on interest rate movements.
  - The relatively high Australian dollar, strong import competition (both of steel and prefabricated goods) and weak global demand has contributed to subdued demand in the manufacturing and transport sectors.
- The pricing and gross margin environment remained very competitive, particularly against the backdrop of falling economic activity.

BlueScope Lysaght

- Sales volumes were higher in FY2013 than FY2012 by approximately 2%. Volumes in 2H FY2013 were lower than 1H FY2013 by approximately 10% largely reflecting seasonal factors.
- Overall building market conditions remained soft with persistently low levels of investment despite further monetary policy easing.
- Residential building activity levels continued to exhibit weakness, with a recent modest improvement in the leading indicators of housing finance and building approvals yet to translate into construction activity.
- Commercial construction similarly remained subdued and continued to be adversely impacted by a lack of business confidence, tight credit conditions and economic and political uncertainty.
- Business improvement initiatives have been instigated to mitigate the impact of market conditions, including product portfolio enhancements and site rationalisation activities progressed in New South Wales, Queensland, Victoria and Tasmania.

NEW ZEALAND AND PACIFIC STEEL PRODUCTS

New Zealand Steel is the only fully integrated flat steel producer in New Zealand, producing slab, hot rolled coil and value added coated and painted products for both domestic and export markets across the Pacific Region. Operations include the manufacture and distribution of the LYSAGHT® range of products in Fiji, New Caledonia and Vanuatu.

This segment includes the Waikato North Head iron sands mine which supplies iron sands to the Glenbrook Steelworks and for export, and the Taharoa iron sands mine, which supplies iron sands for export.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment financial performance

$M	FY2013	FY2012	Var %	2H FY2013
Sales revenue	681.0	755.0	(10%)	362.1
Reported EBIT	42.5	64.7	(34%)	40.5
Underlying EBIT	42.5	68.6	(38%)	40.5
NOA (pre-tax)	466.8	296.2	58%	466.8

Table 7: Sales volume

'000 tonnes	FY2013	FY2012	Var %	2H FY2013
Domestic steel	254.9	247.2	3%	130.2
Export steel	323.1	333.2	(3%)	186.7
Total steel	578.0	580.4	(0%)	316.9
Export iron sand	1,701.4	1,140.8	49%	870.1

FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The $74.0M decrease in sales revenue was primarily due to lower international and domestic selling prices and an adverse destination mix to a higher proportion of export despatches.

EBIT performance

The $26.1M decrease in underlying EBIT was largely due to:

- lower iron sands prices in line with global iron ore prices
- reduced spread driven by:
  - lower international prices combined with the flow-on impact to domestic prices combined with a stronger NZ$
  - partly offset by lower coal purchase prices.

These were partly offset by:

- higher iron sands export volumes driven by the receipt of the new Taharoa Destiny vessel and Waikato North Head commencing exports in 2H FY2012
- improved fixed cost recoveries from higher production volumes
- lower conversion and other costs driven by tight control of spend.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets were $170.6M higher than at 30 June 2012 primarily due to lower provisions in relation to defined benefits superannuation fund and capital expenditure including finance lease assets.

MARKETS & OPERATIONS

Domestic sales

- Domestic residential building activity has picked up in 2H FY2013, especially in Auckland and Canterbury (Christchurch and surrounding districts). This was reflected in increased sales of coated steel.
- The weak US$ has impacted domestic prices.
- Agricultural investment remains subdued as farmers continue to reduce debt. The recent drought will impact new investment over the next year.

Export sales

- Export steel despatch volumes were similar to FY2012 with export prices down nearly 14% due to low global pricing and the weakness of the US$.
- Iron sands exports from Taharoa and Waikato North Head of 1.71Mt, a 49% increase on FY2012 due to larger capacity on the new Taharoa Destiny vessel, and increased despatches from Waikato North Head.
- Iron sand prices were down on FY2012 consistent with the decrease in global iron ore pricing.
- Export iron sands expansion:
  - The land-side investment in iron sands mining capacity expansion at Taharoa is on track for completion around the end of CY2013.
  - Increased production off-take is intended to be transported via a customer owned second vessel, for which delivery has been delayed until during CY2015.
  - Once expansion is complete, and prior to delivery of a second vessel, BlueScope expects to tranship some incremental volume via Port Kembla harbour.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

BlueScope is a technology leader in metal coated and painted steel building products, principally focused on the Asia-Pacific region, with a wide range of branded products that include pre-painted COLORBOND® steel, zinc/aluminium alloy-coated ZINCALUME® steel and the LYSAGHT® range of building products.

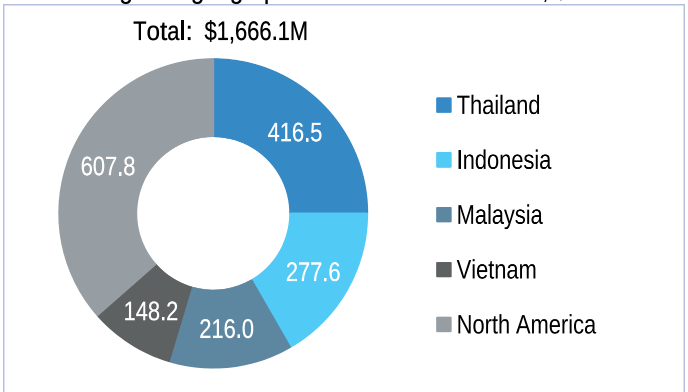
The Company has an extensive footprint of metallic coating, painting and steel building product operations in China, India, Indonesia, Thailand, Vietnam, Malaysia and North America primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential construction industry in North America. BlueScope operates in ASEAN and North America in partnership with Nippon Steel & Sumitomo Metal Corporation (NSSMC) and in India with Tata Steel. Both are 50/50 joint ventures with BlueScope controlling and therefore consolidating the joint venture with NSSMC, and jointly controlling and therefore equity accounting the joint venture with Tata Steel.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 8: Segment performance

$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue	1,635.5	1,643.7	(1%)	835.1
Reported EBIT	70.5	51.3	37%	39.1
Underlying EBIT	79.6	51.2	55%	48.2
NOA (pre-tax)	936.0	870.3	8%	936.0
Despatches	1,344.0kt	1,256.5kt	7%	687.4kt

Chart 2: Segment geographic sales revenue FY2013, $M[1]



1) Chart does not include $30.6M of eliminations (which balances back to total segment revenue of $1,635.5M). Chart also does not show India, which is equity accounted.

FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The $8.2M decrease in sales revenue was mainly due to lower pricing across all regions, partly offset by higher despatch volumes in all regions except Malaysia and favourable foreign exchange rate impacts mainly in Thailand.

EBIT performance

The $28.4M improvement in underlying EBIT was largely due to:

- higher spreads with lower steel feed costs partly offset by lower selling prices
- higher volumes and improved mix predominantly from Thailand recovering from the impact of floods in 1H FY2012.
- favourable impact from exchange rate movements, particularly Thailand.

Partly offset by:

- higher marketing costs in Thailand and Vietnam delivering volume growth
- higher conversion and other costs in Malaysia driven by project costs, repairs and maintenance and staff costs and conversion costs in Thailand driven by utility rates and staff costs.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets increased $65.7M since 30 June 2012 primarily reflecting higher inventory holdings mainly at Thailand, Indonesia and Steelscape and capital expenditure during the year partly offset by higher creditors.

MARKETS AND OPERATIONS

Thailand (BST)

- Domestic steel demand has remained robust and stable, underpinned by continued political stability, local and foreign investment in factories and warehouses, and infrastructure development from Government in rail, road and water management as result of floods in 1H FY2012.
- FY2013 total despatch volume was stronger than FY2012 driven by increased marketing efforts, product innovation and improved domestic demand. In addition, FY2012 was adversely impacted by severe flooding in Thailand.
- Demand in the market segments was varied:
  - Industrial and commercial demand peaked in January – March (high "dry" season in Thailand), driving strong despatch volumes and favourable mix of premium products but has slowed down post the Songkran festival in April, entering the low, rainy season. Competition continues to increase with new domestic painted and coated suppliers commencing operations in the last quarter of FY2013 and aggressively pursuing market share. In addition low priced import volumes particularly from China and Vietnam have continued to grow in 2H FY2013 resulting in a highly competitive environment dynamic entering FY2014.
  - Volumes to the residential segment in Northern Thailand continue to grow steadily as overall wealth continues to increase in the emerging Thai middle class driving improved living standards and housing development. However competition is also strong in these regional and rural areas both from imported steel and a mature cement tile market.
- A stronger FY2013 EBIT performance was achieved through several successful initiatives in sales, marketing and operations:
  - customer loyalty programs
  - strong focus on specification in Industrial and Commercial segment (with architects, contractors and designers) to grow premium sales
  - new product distributor programs aimed at combating import competition, particularly in the residential segments and Northern Thailand region
  - launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive brand awareness

- minimising cost expansion in manufacturing costs, operational cost saving through energy re-use initiatives and sourcing competitively priced raw materials.

Vietnam (BSV)

- Despatch volume growth has been achieved mainly in the residential channel, while industrial and commercial demand was comparatively soft given prevailing business and macroeconomic conditions.
- This growth was achieved through:
  - efforts to grow our share of residential customers' expenditure through various relationship management programs
  - introduction of new painted products: ZACS Feng Shui with 10-year warranty to create differentiation in premium residential segment and Sac Viet – an affordable product targeting low and medium income consumers in the low-end residential segment
  - increasing brand marketing and product differentiation by organising new product and technical seminars for key customers who are also market leaders in each local provincial market
  - increasing specification in the industrial and commercial segment to grow premium sales.

Indonesia (BSI)

- Despatch volumes grew by 6% in FY2013 compared with FY2012, driven by an improvement in customer diversity and better yield performance from the metal coating lines. 2H FY2013 saw higher despatch volumes of 20% over 1H FY2013, largely a result of seasonality in demand marked by the Lebaran holiday in August 2012.
- Competition remained strong with increased volumes of lower-priced imports negatively impacting spreads.
- With anti-dumping duties levied on cold rolled coil by the Indonesian government in March 2013, managing the cost of cold-rolled coil feed has become a strategic focus. Mitigating actions include new sourcing strategy in place to procure from unaffected countries, namely Australia and India.
- NS BlueScope Indonesia's sales efforts are being focused on strengthening market presence in retail and project channels while further diversifying the customer base.

Malaysia (BSM)

- Total despatch volumes were marginally lower compared with FY2012. This was primarily driven by a slow-down in business activity before the national elections as well as strong competition from imports.
- The Malaysian Government is evaluating steel policies to address the impact of the high influx of low-cost steel products entering the country and damaging local business.
- The coating business continues to focus on growing domestic market share and improving penetration into the residential projects and retail channels via strong alliance with local professional associations including architects, engineers, surveyors and property developers. The downstream business is well positioned to leverage government regional development initiatives in the industrial, commercial and residential segments for roofing and walling, trusses and door window frames with roller shutters.

North America (Steelscape & ASC Profiles)

- Despatch volumes increased by 12% over FY2012 for the downstream business (ASC Profiles) and 2% for the midstream business (Steelscape). Downstream volume growth was better than market, attributable to a strong market for solar structures in 1H and an increase in large competitively bid structural deck jobs in 2H.
- North American operations are primarily exposed to the west coast non-residential construction market, of which the private sector saw slow growth, while the public sector saw a slight decline in activity.
- Competition, primarily from import sources, remains stiff resulting in compressed margins in all segments.
- In July 2012, North America Building Products launched a comprehensive program for sustained profitability. Significant restructuring has been undertaken to lower the cost structure, including consolidation of several businesses into one, closure of BlueScope Water (in North America) and other organisational and facility rationalisations.
- In FY2014 the business will focus on the growing U.S. residential market, and new products and finishes.

India (in joint venture with Tata Steel (50/50) for all operations)

- Volume growth due to first full year of coated steel operations.
- Indian steel roofing market grew around 10%, largely due to increased sales of painted products. The Aluminium-Zinc Coated Steel market witnessed a growth of ~30% driven by painted products demand from the retail market (residential and small-to-medium enterprises). Commercial project market saw moderate growth of ~5%.
- To cater to the growing market for roll formed products, the downstream business commissioned two new operational plants at very low cost base.
- Initiatives have been identified to expand the Durashine® retail network through an increase in distributor numbers from 29 to 33 and an increase in active dealers from 1,000 to over 1,400.

GLOBAL BUILDING SOLUTIONS

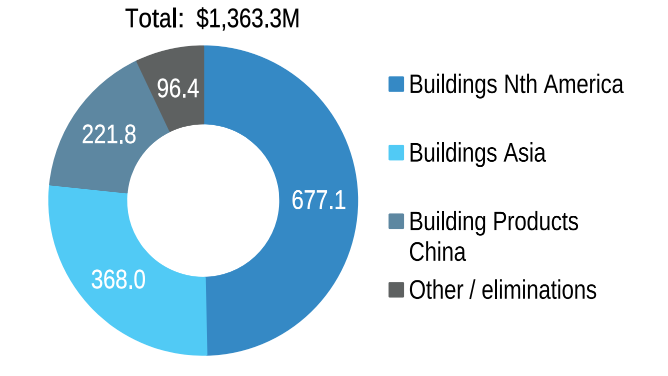
BlueScope's Global Building Solutions business is a global leader in EBS, servicing the needs of global customers from engineering and manufacturing bases in Asia and North America. Buildings are generally low-rise non-residential solutions. EBS plants are located in China, Thailand, Vietnam, North America, Saudi Arabia and India. As part of integrated value-chain feeding the EBS operations, this segment includes BlueScope's steel metal coating, painting and Lysaght operations in China (Building Products China). GBS is expanding its global engineering capabilities through the roll-out of a common engineering software system across BlueScope's Buildings businesses. This system is in place in North America and is currently being installed across businesses in Asia.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue	1,363.3	1,446.3	(6%)	634.8
Reported EBIT	18.4	(6.4)	388%	1.0
Underlying EBIT	26.4	32.5	(19%)	9.0
NOA (pre-tax)	596.4	509.9	17%	596.4
Despatches	552.4kt	588.0kt	(6%)	246.4kt

Chart 3: Segment geographic sales revenue FY2013, $M



FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The $83.0M decrease in sales revenue was mainly due to reduced volumes, particularly in Buildings Asia (specifically China) and lower pricing across all regions.

EBIT performance

The $6.1M decrease in underlying EBIT was largely due to:

- $7.7M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia
- lower despatch volumes in Buildings China driven by general slowdown in building and construction activity and resultant impact on higher per unit conversion costs.

Partly offset by:

- improved margins driven by lower steel feed costs partly offset by lower domestic prices
- higher volumes in Buildings North America with continued improvement in the U.S. non-residential construction market.

Underlying adjustments in reported EBIT are set out in Tables 2A and 2B.

FINANCIAL POSITION

Net operating assets increased $86.5M compared to 30 June 2012 primarily reflecting capital expenditure (primarily at Xi'an, China), higher receivables driven by phasing of despatch volumes and collections combined with exchange fluctuation due to a weaker A$, partly offset by higher creditors.

MARKETS AND OPERATIONS

Buildings North America

- This business had a significant improvement in EBIT performance, largely due to the benefits derived from a targeted profit improvement project and the integration of manufacturing processes.
- Despatch volumes were up 7% in FY2013 to 211Kt, driven by an increase in the U.S. non-residential construction market. This increase was influenced by a significant refocus on new product development and enhanced product differentiation. At the end of June 2013, the business' backlog is up 8% compared to this time last year.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index point to continued improvement in the U.S. non-residential construction market.

Buildings Asia (China & ASEAN)

- Approximately 75% of sales revenue was derived from the China business unit; the remaining 25% across ASEAN.
- Sales mix is approximately 50% private, 40% FDI and JVs and 10% state owned enterprises and government.
- Despatch volumes in the China business deteriorated due to a slowdown in building and construction activity as both private and government participants have reduced or delayed investment. ASEAN despatch volume increased 13% relative to FY2012.
- Across both China and ASEAN, the business is actively pursuing targeted initiatives to increase sales and reduce cost.
- The fourth China buildings plant in Xi'an (western China) is now complete and production trials are progressing. Development was finalised on time and on budget.

Building Products China

- Despite challenging conditions in the China market, and slightly lower despatch volume (due to lower internal demand from the Buildings Asia business), targeted initiatives increased the proportion of higher value-added painted product sales compared to FY2012.

BlueScope Solutions Australia

- Sells commercial buildings, residential sheds, patio roofing and garages and water storage solutions to the rural, commercial, resources and residential sectors in Australia. Water tank products are sold domestically and abroad through an international distributor network.
- The Water business disposed of its loss making residential business in August 2012 to focus on its larger Commercial and Rural tank products.

Engineered Building Solutions Global Accounts

- The Global Accounts group, formed in FY2013, is primarily focused on management and development of global strategic partnerships with multi-national customers (Program Accounts) and expansion into non-traditional global territories.
- Sales generated through these global accounts are reported in the business unit that supplies the solution.
- Recent success with Program Accounts has secured projects in India, Indonesia, Venezuela and on the African continent.

HOT ROLLED PRODUCTS NORTH AMERICA

This segment is comprised primarily of BlueScope's 50% interest in North Star BlueScope Steel, a single site electric-arc furnace producer of hot rolled coil production in Ohio, U.S.. The segment also includes BlueScope's 47.5% interest in Castrip LLC, a thin strip casting technology joint venture with Nucor and IHI Ltd.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

$M unless marked	FY2013	FY2012	Var %	2H FY2013
Sales revenue [1]	-	-	-	-
Reported EBIT [2]	66.7	62.2	7%	33.6
Underlying EBIT [2]	66.7	62.2	7%	33.6
NOA (pretax)	95.3	72.9	31%	95.3
Despatches [3]	983.2kt	962.8kt	2%	507.1kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A$620.7M in FY2013 (A$683.2M in FY2012 and A$321.2M in 2H FY2013).
2) Includes 50% share of net profit before tax from NSBSL of A$69.6M in FY2013 (A$63.9M in FY2012 and A$35.7M in 2H FY2013).
3) Reflects BlueScope's 50% share from NSBSL.

FINANCIAL PERFORMANCE – FY2013 VS. FY2012

Sales revenue

The segment is comprised of two equity accounted investments and as such has no sales revenue recorded in the Group accounts. Disclosures in relation to financial position are provided in Note 46 of the financial statements.

EBIT performance

The $4.5M improvement in underlying EBIT was largely due to lower depreciation charges and various cost reduction initiatives. These were partly offset by weaker spread driven with lower selling prices more than offsetting lower scrap costs.

FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in North Star ($94.9M of $95.3M). The $22.4M increase in net operating assets primarily reflects earnings of the NSBSL joint venture being higher than the dividends returned to the owners.

MARKETS AND OPERATIONS

North Star BlueScope Steel

- NSBSL sells approximately 80% of its production in the Mid-West, U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- Despatches for FY2013 were up 20kt on FY2012, at 983kt (BSL share).
- High capacity utilisation rates, relative to the market, have been maintained by NSBSL through ability to retain existing customers and win new customers by consistently meeting market expectations for on-time delivery and quality.
- During the period, NSBSL was again voted the #1 North American flat rolled steel supplier in the Jacobson survey for customer satisfaction. It has held this title for 12 consecutive years.

OTHER INFORMATION

SAFETY

- The Company remains committed to its goal of Zero Harm.
- Occupational health and safety performance for FY2013 is as follows:
  - Lost Time Injury Frequency Rate of 0.6, down from 0.9 in FY2012.
  - Medically Treated Injury Frequency Rate of 5.7, unchanged from FY2012.
- There was a fatality at our Jackson, Tennessee buildings site on 27 May 2013, with the tragic death of Mr Crane, a Contractor.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

- The BlueScope Steel Environment Management System comprises the following major elements:
  - Our Bond
  - Health, Safety and Environment Committee Charter
  - Environment Principles
  - Environment Standards
  - BSL wide procedures and guidelines
  - Operational procedures.
- BlueScope continues to work on improving its environmental performance and systems through its network of environment reviews and audits, implementation of its compliance systems, the business planning process and risk management practices.

AUSTRALIAN CARBON PRICING MECHANISM

- BlueScope is a liable entity under the Carbon Pricing Mechanism (CPM), which came into operation on 1 July 2012.
- As such BlueScope will be required to annually obtain and surrender emission units to cover the Company's direct (Scope 1) greenhouse gas emissions from liable facilities within Australia. The Company will also face increases in electricity (Scope 2), natural gas and other costs as suppliers seek to pass though their own carbon costs (Scope 3). However, the Company does not expect to face Scope 3 costs from coal suppliers as the Government has signalled its intent to limit the potential pass-through of such.
- The Australian Government is allocating carbon units to emissions-intensive, trade-exposed activities, including iron and steelmaking through the Jobs and Competitiveness Programme.
- An initial fixed price phase will apply for three years, and from July 2015 a market-determined cap-and-trade price will apply (subject to a price ceiling). However, the current Government has recently announced its intention to bring forward the floating price to be effective from July 2014, which it estimates would result in a carbon price of approximately $6 per tonne based on current European prices (the current FY2014 Australian carbon price is fixed at $24.15 per tonne). The Government has indicated there would be no change to industry assistance arrangements for emissions-intensive trade-exposed companies.
- During the cap-and-trade phase, Australian liable entities will be able to use international carbon units to acquit a proportion of their obligations: under current legislation up to 12.5% of an entity's liability will be able to be met with Kyoto units, and an additional 37.5% of the entity's liability can be met with units issued under the European Emissions Trading Scheme.
- The Company remains focused on improving the energy and carbon efficiency of all its operations.
- When funds from the STP are taken into account, the Company does not expect to face a net carbon liability over the initial four year period.
- The Federal Coalition has said that if elected to govern in 2013 it will abolish the carbon tax and replace it with a 'direct action' policy. Details of the direct action policy are not clear at this time.

STEEL TRANSFORMATION PLAN (STP)

- The STP is a $300M program that aims to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy.
- BlueScope has registered as a participant in the STP and is complying with the requirements of the STP legislation.
- The Company expects to be entitled to receive $183M over the four years of the STP. In January 2012 the Government announced that it would provide BlueScope with a competitiveness assistance advance of $100M.

NEW ZEALAND EMISSIONS TRADING SCHEME

- The Company is also a liable entity under New Zealand's ETS.
- The activity of iron and steel manufacturing from iron sands as undertaken by New Zealand Steel has been assessed to be highly emissions-intensive and trade-exposed, and New Zealand Steel therefore qualifies for the allocation of Emission Units at the maximum rate (90%).
- The ETS is currently in a 'transition period'. During this period participants must surrender one emission unit for two tonnes of carbon dioxide equivalent emissions, allocation of units to energy-intensive and trade-exposed activities is halved, and it is possible to buy units at market price or at a fixed price of NZ$25 per tonne from the government. In July 2012 the New Zealand Government announced that it would effectively retain the current key transitional arrangements until a further review in 2015.
- Concerns in relation to the phasing out of the 50% surrender obligation and the introduction of a decay rate materially increasing the ETS costs faced by New Zealand Steel have for now been allayed.

ABBREVIATIONS

1H FY2012	Six months ended 31 December 2012
1H FY2013	Six months ended 31 December 2011
2H FY2012	Six months ended 30 June 2012
2H FY2013	Six months ended 30 June 2013
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
AUD, A$	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising CIPA, BCDA and NZS segments)
BCDA	Building Components & Distribution Australia segment
BP	Building Products, ASEAN, North America and India segment
BSL	BlueScope Steel Limited and its subsidiaries
CIPA	Coated & Industrial Products Australia segment
DPS	Dividend per share
EAF	Electric arc furnace
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the GBS segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2012	12 months ended 30 June 2012
FY2013	12 months ended 30 June 2013
GBS	Global Building Solutions segment
Gearing ratio	Net debt divided by the sum of net debt and equity
Group, Company	BlueScope Steel Limited and its subsidiaries
HRPNA, HRP North America	Hot Rolled Products North America segment
IFRS	International Financial Reporting Standards
Net debt	Gross debt less cash
NOA (pre-tax)	Net operating assets
NPAT	Net profit after tax
NRV	Net realisable value adjustment
NSBCP	NS BlueScope Coated Products joint venture
NSBSL	North Star BlueScope Steel
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZPac	New Zealand Steel & Pacific Products segment
NZS	New Zealand Steel
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
STP	Steel Transformation Plan
USD, US$	United States dollar

BOARD COMPOSITION

The following were Directors for the full year ended 30 June 2013: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Daniel Bruno Grollo, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer), Tan Yam Pin and Penelope Bingham-Hall. Ewen Graham Wolseley Crouch AM was appointed as a Director on 12 March 2013. Diane Jennifer Grady AM ceased to be a Director on 15 February 2013 and Harry Kevin (Kevin) McCann AM ceased to be a Director 5 April 2013.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out below.

DIRECTORS' BIOGRAPHIES

Graham Kraehe AO, Chairman (Independent)
Age 70, BEc
Director since: May 2002

Extensive background in manufacturing and was Managing Director and Chief Executive Officer of Southcorp Limited from 1994 to February 2001. Chairman of Brambles Industries Limited since February 2008 and a non-executive director since December 2000, member of the Board of the Reserve Bank of Australia from February 2007 to February 2012, non-executive director of Djerriwarrh Investments Limited since July 2002, member of the Board of Governors of CEDA and a Director of European Australian Business Council. Mr Kraehe was a non-executive director of National Australia Bank Limited from August 1997 to September 2005 and Chairman from February 2004 to September 2005, and was a Non-Executive Director of News Corporation Limited from January 2001 until April 2004.

He brings skills and experience in manufacturing management and in companies with substantial, geographically diverse, industrial operations. Mr Kraehe's experience with a wide range of organisations is relevant for his role as Chairman of the Board.

Ron McNeilly, Deputy Chairman (Independent)
Age 70, BCom, MBA, FCPA
Director since: May 2002

Deputy Chairman of the Board with over 30 years experience in the steel industry. He joined BHP in 1962, and until December 2001 held various positions with the BHP Group (now BHP Billiton), including Executive Director and President BHP Minerals, Chief Operating Officer and Executive General Manager, and was Chief Executive Officer BHP Steel until 1997. The latter role developed his knowledge of many of the businesses comprising BlueScope Steel today.

A director of Worley Parsons Limited since October 2002, Chairman from October 2004 to March 2013 and currently Deputy Chairman and Lead Independent Director. Director of Alumina Ltd from December 2002 to March 2011, Vice President of the Australia Japan Business Cooperation Committee until November 2010. He also served as a member of the Council on Australia Latin America Relations and as Chairman of Melbourne Business School.

Tan Yam Pin, Non-Executive Director (Independent)
Age 72, BEc (Hons), MBA, CA
Director since: May 2003

A chartered accountant by profession, formerly Managing Director of Fraser and Neave Group, one of South-East Asia's leading public companies, and Chief Executive Officer of its subsidiary company, Asia Pacific Breweries Ltd. A member of the Public Service Commission of Singapore since 1990 and a director of the Board of Keppel Land Limited (Singapore) since June 2003, Singapore Post Limited since February 2005, Great Eastern Holdings Limited since January 2005, Leighton Asia Limited since January 2009 and the Lee Kuan Yew Scholarship Fund since January 2010. Mr Tan previously served as Chairman of PowerSeraya Limited (Singapore) from March 2004 to March 2009, as a director of Certis CISCO Security Pte. Ltd from July 2005 to January 2009, the East Asiatic Company Limited A/S (Denmark) from 2003 to 2006, International Enterprise Singapore from January 2004 to June 2008 and Singapore Food Industries Ltd from December 2005 to December 2009.

Mr Tan resides in Singapore. He brings extensive knowledge of Asian markets, an area of strategic importance to BlueScope Steel. His financial and leadership skills complement the skills on the Board.

Daniel Grollo, Non-Executive Director (Independent)
Age 43
Director since: September 2006

Chief Executive Officer of Grocon Pty Ltd, Australia's largest privately owned development and construction company. He is Chairman of the Green Building Council of Australia and was previously a director and National President of the Property Council of Australia and a director of CP1 Limited (June 2007 to September 2012).

He brings extensive knowledge of the building and construction industry to the Board. Mr Grollo is also Chair of the Health, Safety and Environment Committee.

Paul O'Malley, Managing Director and Chief Executive Officer
Age 49, BCom, M. App Finance, ACA
Director since: August 2007

Appointed Managing Director and Chief Executive Officer of BlueScope Steel on 1 November 2007. Joined BlueScope Steel as its Chief Financial Officer in December 2005. Formerly the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU including Senior Vice President and Principal Financial Officer and, based in Melbourne, Chief Financial Officer of TXU Australia. Before joining TXU, he worked in investment banking and consulting.

Ken Dean, Non-Executive Director (Independent)
Age 60, BCom (Hons), FCPA, FAICD
Director since: April 2009

Mr Dean has been a director of Santos Limited since February 2005 and of Energy Australia Holdings Limited since July 2012. He has held directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited.

Mr Dean spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years until 2005, was as Chief Executive Officer of Shell Finance Services based in London. From 2005 to 2009, he was Chief Financial Officer of Alumina Limited.

He brings extensive international financial and commercial experience to the Board and to his role as Chair of the Audit and Risk Committee.

Penny Bingham-Hall, Non-Executive Director (Independent)
Age 53, BA (Ind.Des) FAICD, SA(Fin)
Director since: March 2011

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings prior to retiring from that company at the end of 2009. Senior positions held by her with Leighton include Executive General Manager Strategy, responsible for Leighton Group's overall business strategy and Executive General Manager Corporate, responsible for business planning and corporate affairs. Ms Bingham-Hall has been a director of Australia Post since May 2011, the Sydney Ports Corporation since April 2012 and SCEGGS Darlinghurst School since February 2011. She was the inaugural Chairman of Advocacy Services Australia (the fiduciary company for the Tourism & Transport Forum and Infrastructure Partnerships Australia) from May 2008 to December 2011 and is a former director of the Global Foundation and the Australian Council for Infrastructure Development and former member of the VisAsia Council of the Art Gallery of NSW.

She brings extensive knowledge of the building and construction industry in both Australia and Asian markets. In February 2013, Ms Bingham-Hall was appointed as Chair of the Remuneration and Organisation Committee.

Ewen Crouch AM, Non-Executive Director (Independent)
Age 57, BEc (Hons) LLB, FAICD
Director since: March 2013

Mr Crouch is a former Partner at Allens (1988 to 2013), where he was one of Australia's leading M&A lawyers, having acted on some of Australia's most significant transactions. Mr Crouch held the following roles at Allens: Chairman of Partners (2009 to 2012), Co-Head Mergers and Acquisitions and Equity Capital Markets (2004 to 2010), Executive Partner – Asian Offices (1999 to 2004) (responsible for the China and South-East Asia practices of the firm) and Deputy Managing Partner (1993 to 1996). Mr Crouch is a director of Westpac Banking Corporation, Chairman of Mission Australia and a board member of Sydney Symphony Orchestra. Mr Crouch is a Fellow of the Australian Institute of Company Directors and is a member of the Takeovers Panel.

Mr Crouch brings to the Board his extensive experience as a legal adviser on significant transactions in the Australian and international markets, his knowledge of the manufacturing and construction sectors from previous non-executive directorships, as well as involvement in the China and South-East Asian markets.

COMPANY SECRETARIES

Michael Barron Chief Legal Officer and Company Secretary, BEc, LLB, ACIS
Responsible for the legal affairs of BlueScope Steel and for company secretarial matters. Joined the Company as Chief Legal Officer and Company Secretary in January 2002. Prior to that occupied position of Group General Counsel for Orica.

Clayton McCormack, BCom, LLB
Senior Corporate Counsel, Governance with BlueScope Steel. A lawyer with over 15 years' experience in private practice and corporate roles.

Darren Mackenzie, BA, LLB (Hons)
General Counsel, Corporate with BlueScope Steel. A lawyer with over 15 years' experience in private practice and corporate roles.

PARTICULARS OF DIRECTORS' INTERESTS IN SHARES AND OPTIONS OF BLUESCOPE STEEL

As at the date of this report the interests of the Directors in shares and options of BlueScope Steel are:

Director	Ordinary shares	Share rights
G J Kraehe	106,883	-
R J McNeilly	396,452	-
P F O'Malley	83,286	1,763,561
Y P Tan	47,135	-
D B Grollo	38,447	-
K A Dean	29,488	-
P Bingham-Hall	47,834	-
E G W Crouch	14,500	-

MEETINGS OF DIRECTORS

Attendance of the current Directors at Board and Board Committee meetings from 1 July 2012 to 30 June 2013 is as follows:

	Board meetings		Audit and Risk Committee		Remuneration and Organisation Committee		Health, Safety and Environment Committee		Nomination Committee		Other Sub-Committees		Annual General Meeting	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
G J Kraehe	14	14	-	4[1]	8	8	4	4	2	2	6	6	1	1
R J McNeilly	14	14	4	4	8	8	4	4	2	2	1	1	1	1
P F O'Malley	14	14	-	4[2]	-	7[2]	4	4	-	-	5	5	1	1
Y P Tan	14	10[3,4]	-	-	8	8	4	3[3]	2	2	-	-	1	1
D B Grollo	14	13[4]	4	4	-	-	4	4	2	2	-	-	1	1
K A Dean	14	14	4	4	-	-	4	4	2	2	4	4	1	1
P Bingham-Hall	14	13[4]	-	-	8	8	4	4	2	2	-	-	1	1
E G W Crouch	4	4	1	1	-	-	2	2	1	1	-	-	-	-

With the exception of Mr Crouch, all Directors have held office for the entire year ended 30 June 2013. Mr Crouch was appointed as a Director on 12 March 2013.

A = number of meetings held during the period 1 July 2012 to 30 June 2013 during the time the Director was a member of the Board or the Committee, as the case may be.
B = number of meetings attended by the Director from 1 July 2012 to 30 June 2013.

1 The Chairman of the Board is not a Committee member and attends as part of his duties as Chairman.
2 The Managing Director & Chief Executive Officer is not a Committee member and attends by invitation as required.
3 A scheduled meeting was missed due to illness.

4 A special purpose meeting was missed through unavailability due to other prior commitments. Special purpose meetings are generally held by telephone and often called at short notice to provide updates on particular matters. Any Directors unable to attend are provided with separate briefings.

There were a number of special purpose meetings held during the year. They are as follows:

- Board meetings: 6
- Remuneration and Organisation Committee meetings: 2
- Nomination Committee meetings: 1

The Non-Executive Directors met twice during the year ended 30 June 2013 (without the presence of management). Non-Executive Directors meetings are chaired by the Chairman of the Board.

REMUNERATION SUMMARY (UNAUDITED)

Through its remuneration strategy, BlueScope aims to support the achievement of superior business performance over the long term by motivating executives to deliver results that reward shareholders.

The Board has taken great care to ensure BlueScope's remuneration structures have evolved to support our business through structural change and difficult industry conditions. The Board has pro-actively consulted with shareholders and proxy advisors and sought external advice on the structure of our remuneration programs. This has resulted in a number of changes over recent years that have been well supported by shareholders. This report outlines the remuneration outcomes and key changes made during FY 2013, and further changes planned for FY 2014.

1. Context

In recent years, BlueScope's business has been put under considerable pressure by the high Australian dollar, record high raw material prices, an imbalance of global supply over demand, low Australian domestic demand and considerably compressed margins. As a result, we significantly rationalised the Australian operations to materially exit the export business, restructured our business portfolio to provide greater strategic focus on our Building Solutions and Building Products businesses, effectively transitioning from an Australian centric steel producer with significant exposure to commodity export markets to a value added global steel and building products business. Our shareholders and the share market responded very positively to these interventions and our Total Shareholder Return (TSR) was the highest in the ASX 100 for FY 2013.

We also responded to feedback on our remuneration program. Following extensive consultation with shareholders and governance advisory bodies, the Board improved remuneration disclosures and undertook a major intervention in our remuneration frameworks. Key interventions last year included:

- The Managing Director and Chief Executive Officer (MD & CEO) received no STI, LTI or base salary increase.
- There were no 'across the board' salary increases for Executives.
- Half of the value of the Long Term Incentive (LTI) was redirected into Retention Rights (with limited hurdles) for all Key Management Personnel (KMP) other than the MD & CEO.
- Eliminating retesting and tightening the vesting schedule for the remaining half of the LTI.
- Requiring that half of any Short Term Incentive (STI) payments be held as shares and restricting these for 12 months.

2. Financial Performance Impact on Remuneration

In FY 2011 and FY 2012, executive remuneration (particularly for the MD & CEO who has not received a salary increase since September 2010) was severely constrained, consistent with financial performance.

STI payments were significantly below target for 2010, 2011 and 2012 (the MD & CEO received no STI in 2012).

No LTI's have vested since the 2005 Award vested in 2008 for any KMP (an LTI award was not made to the MD & CEO in 2011).

In FY 2013 there was a significant improvement in underlying profit, with NPAT improving by $267.2M from an underlying loss of $237.5M in FY 2012 to an underlying profit of $29.7M in FY 2013. At the business unit level, there have been improved EBIT outcomes underpinned by outstanding cashflow results and implementation of fundamental restructuring initiatives. The successful negotiation and execution of the Coated Products Joint Venture with Nippon Steel & Sumitomo Metal Corporation was achieved with proceeds of US$571.1M received. This provides our Coated Products business with new growth opportunities, has delivered a very strong balance sheet and enhances BlueScope's financial flexibility to invest in further growth opportunities. Together, these results represent a significant turnaround in company financial performance (despite continuing difficult business conditions) and are reflected in our Total Shareholder Return (TSR) being at the top of ASX 100 listed companies during FY 2013.

3. KMP Key Performance Indicators for FY 2013

The key performance indicators to assess the MD & CEO's Short Term Incentive (STI) were clearly communicated to shareholders last year and have been achieved. These were:

- Achievement of a major strategic transformational initiative.
- Delivery of a positive underlying profit.
- Top quartile TSR performance relative to the ASX 100.

Achievements for which STI awards have been made to the KMP Executives include:

- Business Unit financial performance including excellent cash performance as demonstrated by a significant reduction in net debt year on year. Earnings performance was materially better than the prior year but challenging growth targets were set and these were not universally met.
- Ongoing implementation of the restructure of Australian and New Zealand businesses including further significant cost reductions.
- The addition of new programme accounts and revenue growth objectives in the Global Buildings Solutions business.
- Restructure of the Building Products business including restructure of the North American business, development of new revenue channels in Asia and commissioning the coating facilities in India.
- A range of debt management and financial restructuring initiatives resulted in a significant reduction in drawn debt during FY 2013 and successfully transformed the Capital Structure and lengthened the average debt tenor.

An STI will be awarded to the MD & CEO and other KMP for achievements in FY 2013. Full details of achievements against objectives are covered in sections 5 (II) and 6 (II) of the Remuneration Report. Half of the award will be held back as restricted shares in accordance with the Board's remuneration interventions last year.

4. Review of the Remuneration Framework for FY 2014

The Board has reviewed the executive remuneration framework and has chosen not to make any further allocations of retention rights in FY 2014.

Consequently, other elements of the remuneration structure will be adjusted to re-balance the design of the remuneration package taking into account the interests of shareholders, executive retention, and market practice. The following are described in more detail in the body of the full Remuneration Report:

- Retention Rights will not be reissued and the LTI will be restored to 100% of its previous value.
- The vesting scale for LTI share rights will continue to start at 40% at the 51st percentile of the ASX 100 (i.e. more demanding than most companies' TSR conditions).
- A single retest will be re-introduced to the LTI (compared to the 4 retests over 2 years that applied prior to the temporary arrangements in place for FY 2013). The rationale for the retest is explained in more detail in section 4(iii) of the Remuneration Report. In essence, the retest is designed to ensure that TSR reliably captures the benefits from delivering on long-term strategic initiatives. The two year post vesting holding lock on LTI share rights will be replaced by the requirement for executives to build and retain a substantial shareholding.
- The proportion of STI that is deferred as shares will be reduced from one half to one third, which will be more in line with the market practice of our remuneration peer group. The Board has discretion to claw back deferred STI equity awards in the event of serious misconduct by management that undermines the Company's performance, financial soundness and reputation.
- The Board has undertaken a market based review of KMP Executive base pay and increases in the order of 3% will apply from 1 September 2013. The MD & CEO will also receive an increase of 3%.

Our remuneration peer group has also been updated to ensure it remains as relevant as possible. Three companies have been removed and two have been added (full details are provided in section 3 of the Remuneration Report).

5. Non-Executive Director Remuneration

The Board seeks the advice of external remuneration consultants to ensure that fees and payments reflect the duties of Board Members and are in line with the market.

The Board decided that there would be no increase in Directors' fees for 2013. Directors' fees have not been increased since 1 January 2011 and prior to that Directors' base fees had not been increased since 1 January 2006. Committee fees have not been increased since 1 January 2008.

REMUNERATION REPORT (AUDITED)

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2013. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

INTRODUCTION

Through its remuneration strategy, BlueScope aims to support the achievement of superior business performance over the long term by motivating executives to deliver results that reward shareholders.

The Board of Directors oversees BlueScope's remuneration arrangements, including executive remuneration and the remuneration of Non-executive Directors. Last year the Board, led by the Remuneration and Organisation Committee, conducted a comprehensive review of the Company's remuneration strategy to address the concerns of shareholders expressed in 2011. This review included extensive consultation with shareholders and proxy advisors. Shareholders responded favourably to these changes with more than 98% support for our FY 2012 Remuneration Report. Our goal has been to develop a remuneration strategy that both keeps our executive team focused on delivering the major restructuring initiatives required to return to profitability and wins widespread support from our shareholders.

The Board resolved that while our basic remuneration principles (described later in this Report) remained sound, it was appropriate for BlueScope to adopt a number of transitional remuneration modifications until the Company returns to profit and is paying dividends. These changes were developed by the Board and introduced on a transitional basis with the full support of management who appreciate the need to further align executive rewards with the delivery of superior returns to shareholders. It is intended once the business is stabilised, the Board would again review the Company's approach to remuneration and make further changes, if necessary.

Key elements of the remuneration interventions made for FY 2013 were:

1. Splitting Long Term Incentive (LTI) for Key Management Personnel (KMP) Executives other than the Managing Director and Chief Executive Officer (MD & CEO) into a combination of Retention Rights with a three year time-based hurdle, and Share Rights which vest after three years if they meet TSR hurdles but have a further two year trading lock, tightening LTI award conditions by eliminating retesting, imposing a two year trading lock, and reducing vesting at the 51st percentile of Total Shareholder Return (TSR) relative to the ASX 100 to 40%;
2. Shifting a significant percentage of executive remuneration from cash to deferred equity to more tightly link executive experience with shareholders;
3. Using the capital raising price of $2.40 as a minimum to determine the quantum of Share Rights offered to KMP Executives for the FY 2013 LTI award and the addition of a hurdle that the FY 2013 LTI award will not vest unless the share price at the end of the vesting period is at least $2.40;
4. Setting special FY 2013 Short Term Incentive (STI) objectives for the MD & CEO as disclosed in this report, after paying no STI or LTI in FY 2012;
5. Requiring 50% of total STI awarded to be held as deferred equity with a one year trading lock;
6. Awarding STI for KMP Executives for achievement of financial targets and non-financial targets based on quantified results.

Details of BlueScope's remuneration policies together with the changes we are proposing to introduce for FY 2014 are shown in this report.

1. CONTEXT

The challenging circumstances faced by BlueScope provide the context for Board decisions in regard to the remuneration of the MD & CEO and KMP Executives. These circumstances include:

- Global steel industry going through a significant downturn and a record high level of the A$ exchange rate through most of the year, which has placed downward pressure on Australian domestic steel pricing as the Company competes with imports that benefit from the high dollar, as well as unfair trade (dumping).
- An ongoing downturn in the building and manufacturing sectors of the Australian economy, while the strong resources sector imports a significant supply of fabricated products.
- The competitive demand for highly trained and capable management, technical and other professionals with skills relevant in other sectors, such as resources.
- A downturn in building activity in China.

Against this background management and employees across BlueScope have responded to the need to restructure the business to succeed in the toughest business environment the Company has ever experienced. Major achievements in FY 2013 included:

- The Company has reported an underlying positive NPAT of $29.7M. This compares to an underlying loss of $237.5M in FY 2012.
- Net debt over each of the past three years has been reduced as follows:
  - 30 June 2011 $1,068M
  - 30 June 2012 $584M excluding the year-end cash initiatives of $200M, and
  - 30 June 2013 $148M which includes the full consolidated NS BlueScope Coated Products net debt of $43M.

- The negotiation and execution of a major strategic change in the Company's business portfolio (i.e. the formation of the NS BlueScope joint venture with Nippon Steel & Sumitomo Metal Corporation (NSSMC)).
- Achievement of top quartile TSR performance relative to the ASX 100 – our TSR for the year ended 30 June 2013 was 161% (the highest of any Company in the ASX 100).
- Restructuring the organisation from six into four divisions effective from 1 July 2012. As a consequence the total cost of fixed remuneration for KMP Executives has reduced. These groups are:
  i) BlueScope ANZ, comprises the integrated steelmaking, coating, painting, roll-forming and distribution operations across Australia, New Zealand and the Pacific Islands. BlueScope is Australia's largest steel manufacturer and New Zealand's sole flat steel producer and iron sands exporter. BlueScope enjoys strong market shares in many of the Australian and New Zealand sectors in which it operates, serving customers in the building and construction, manufacturing, automotive and transport, agricultural and mining industries. For FY 2013, this business had sales of $5,406.0M and 7,821 employees.
  ii) Global Building Solutions, a supplier of complete steel buildings worldwide; this business is led from Shanghai and Kansas City, and has manufacturing and sales offices across North America, China, ASEAN, Australia and elsewhere. It is the world's largest design, fabrication and supply business of complete steel buildings. In China, this business includes metal coating and painting operations, and Lysaght China. Sales were $1,363.3M and employees number 5,231.
  iii) Building Products, headquartered in Singapore; this business comprises metal coating, painting and roll-forming across ASEAN and North America, along with the Tata BlueScope joint venture in India. 780,000 tonnes of steel are coated and 620,000 tonnes are painted per annum, giving this business the largest integrated network of sales and manufacturing operations around the Pacific Basin. Sales were $1,635.5M and employees number 3,198.
  iv) Hot Rolled Products North America, comprising North Star BlueScope Steel located in Delta, Ohio a 50:50 joint venture between BlueScope and North Star Steel a subsidiary of Cargill and a 47% shareholding in Castrip LLC with Nucor. North Star BlueScope Steel produces around 2 million tonnes of hot rolled coil annually and is ranked fifth by volume in the production of hot rolled coil in North America. Sales were $1,241.4M and employees number 370.

The Board acknowledges the extremely difficult business conditions and significant achievements by management and employees. The Board identifies with investor concerns regarding the decline in share price over recent years and the urgent need to return the business to profit, noting that both share price and profits have improved materially in FY 2013.

All of these factors have been considered by the Board in reaching decisions regarding executive remuneration.

2. REMUNERATION AND ORGANISATION COMMITTEE

The Board oversees the BlueScope Human Resources Strategy, both directly and through the Remuneration and Organisation Committee of the Board (the Committee). The Committee consisted entirely of independent Non-executive Directors.

The members of the Committee during the year were:

- Ms Diane Grady AM - Independent Director and Chairman of the Committee up to her retirement from the Board and the Committee on 14 February 2013
- Ms Penny Bingham-Hall - Independent Director and Chairman of the Committee from 15 February 2013
- Mr Graham Kraehe AO - Chairman of the Board and Committee Member
- Mr Ron McNeilly - Deputy Chairman and Committee Member
- Mr Tan Yam Pin - Independent Director and Committee Member

The purpose of the Committee is to assist the Board in overseeing that the Company:

- Has a human resources strategy aligned to the overall business strategy, which supports 'Our Bond';
- Has coherent remuneration policies that are observed and that enable it to attract and retain executives and directors who will create value for shareholders;
- Fairly and responsibly rewards executives having regard to the performance of the Company, the creation of value for shareholders, the performance of the executives and the external remuneration environment; and
- Plans and implements the development and succession of executive management.

The Committee has responsibility for overseeing and recommending to the Board remuneration strategy, policies and practices applicable to Non-executive Directors, the MD & CEO, KMP, senior managers and employees generally. The Committee focuses on the following activities in its decision making on the Company's remuneration arrangements:

- Approving the terms of employment of the Key Management Personnel (KMP), including determining the levels of remuneration;
- Ensuring a robust approach to performance management through approval of the STI objectives and awards, and reviewing performance of KMP Executives;
- Considering all matters relating to the remuneration and performance of the Managing Director and Chief Executive Officer prior to Board approval;
- Approving awards of equity to employees; and

- Ensuring the Company's remuneration policies and practices operate in accordance with good corporate governance standards, including approval of the Remuneration Report and communications to shareholders on remuneration matters.

The Committee seeks input from the Managing Director and Chief Executive Officer and the Executive General Manager People and Organisation Performance, who attend Committee meetings, except where matters relating to their own remuneration are considered.

The Committee engages and considers advice from independent remuneration consultants where appropriate. Remuneration consultants are engaged by, and report directly to, the Committee. Potential conflicts of interest are considered when remuneration consultants are selected and their terms of engagement regulate their level of access to, and require independence from, BlueScope's management. Any advice from external consultants is used as a guide, and is not a substitute for thorough consideration of all the issues by the Committee.

During FY 2013, the Remuneration and Organisation Committee employed the services of PwC to provide information and advice on remuneration strategy and structure including market practice which covers KMP. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided.

Notwithstanding that no recommendations were provided, the following arrangements were made to ensure that any remuneration advice provided was free from undue influence by management:

- PwC was engaged by, and reported directly to, the independent Chair of the Remuneration and Organisation Committee. The agreement for the provision of remuneration consulting services was executed by the Chair of the Remuneration and Organisation Committee under delegated authority on behalf of the Board.
- Reports were provided by PwC directly to the Chair of the Remuneration and Organisation Committee.
- Management provided factual information to PwC throughout the engagement about Company processes, practices and other business issues.

As a consequence, the Board is satisfied that any advice provided to the Committee was made free from undue influence from any members of the KMP.

In FY 2013 there was no increase in fees for Non-executive Directors. The last increase occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in committee fees on 1 January 2008.

3. BLUESCOPE STEEL REMUNERATION PEER GROUP

The Board has given careful consideration to the approach that should be used when benchmarking remuneration to market and in particular to the selection of an appropriate peer group for remuneration benchmarking purposes. The Board believes that the more traditional reliance on market capitalisation as the sole criteria is not appropriate for establishing BlueScope's remuneration benchmarks and would lead to unmanageable fluctuations in executive remuneration. In fact a focus on market capitalisation alone only would result in an inability to attract and retain the best talent as the nature and complexity of BlueScope's business environment is substantially greater than many businesses with a similar market capitalisation. Further we do not believe that BlueScope's current market capitalisation is reflective of its long-term position. The use of appropriate peer groups has also been supported by respected remuneration consultants such as Ernst & Young and Mercer who have advocated the need for companies to establish the 'right' market to support remuneration governance.

The companies in the peer group have been selected because they reflect the size and complexity of BlueScope with similarities on one or more of the following dimensions: operate in multiple geographies, have manufacturing or logistics operations in Australia, are involved in the building and construction industry, have similar number of employees, have similar revenue, or similar market capitalisation. In the Board's view it is not appropriate to benchmark against global steel companies, as these are not prime candidates for attracting our executives. This approach has been acknowledged by shareholders and governance advisory bodies.

The Board reviews the composition of the peer group annually. As a result of this year's review, the peer group has been amended as follows:

- Sims Metal and James Hardie have been removed on the basis that their remuneration policies reflect the practices that are used in the US where their corporate offices are located. Coca-Cola Amatil has also been removed.
- Aurizon and Qantas have been added to the peer group. These companies are known to compete for the same executive skills as BlueScope, whilst also facing similar business challenges such as high input costs, capital intensity and geographic spread.

The current peer group is listed below.

Company [1]	Market Cap ($m) [2]	Revenue ($m)	Employees	Geographic complexity [3]
Brambles Ltd	13,816	5,607	17,021	A
Amcor Ltd	11,783	12,331	32,648	A
Aurizon Holdings Ltd	8,877	3,634	8,969	C
Orica Ltd	8,164	6,742	15,000	A
Leighton Holdings Ltd	6,156	20,368	56,323	A
Caltex Australia Ltd	5,800	22,400	3,550	C
Lend Lease Corp Ltd	5,423	11,566	18,439	A
WorleyParsons Ltd	5,344	7,363	40,800	A
Asciano Group	5,005	3,457	7,446	C
Fletcher Building Ltd	4,778	8,873	19,200	B
Incitec Pivot Ltd	4,684	3,500	5,242	A
Toll Holdings Ltd	3,792	8,707	44,500	B
Qantas Airways Ltd	3,630	15,724	33,600	A
Boral Ltd	3,528	5,010	14,740	B
Adelaide Brighton Ltd	2,137	1,100	1,600	C
Downer EDI Ltd	1,806	7,915	20,000	B
Arrium Ltd	1,094	7,716	11,007	B
CSR Ltd	1,024	1,802	3,582	B
Transfield Services Ltd	634	3,143	24,586	B
Median	4,778	7,363	17,021	
BlueScope Steel Ltd	2,699 [2]	8,472	17,063	A[D]

Notes:

1. Revenue and employee numbers are based on the latest annual reports to 30 June 2012.
2. Market capitalisation is at three month average market capitalisation to 30 June 2013. Note BSL's market capitalisation at close of business on 16 August 2013 was $3,054B.
3. Geographic complexity:
   - A. Significant operations in more than 10 countries.
   - B. Significant operations in 10 or fewer countries.
   - C. Operations in Australia only.
   - D. Approx. 50% of BSL employees are in Australia and NZ, 25% in Asia and 25% in North America.

4. REMUNERATION POLICY

At BlueScope, executive remuneration packages typically comprise three elements – fixed pay (base pay and superannuation), short term incentive and long term incentive. In exceptional circumstances, a further element relating to targeted retention may be applied. Although these elements are described separately, they must nevertheless be viewed as part of an integrated package. Whilst each element has a particular design purpose, taken together the intent of the package is to:

- Align executives with the interests of shareholders;
- Competitively reward executives in response to the external market conditions;
- Encourage the retention of highly capable leaders;
- Provide incentive to take well managed risks; and
- Reward executives relative to their performance and accountability.

The mix of elements differs depending on the level in the organisation with a higher skew towards fixed at lower levels. Overall the aim is to provide executives the opportunity to earn top quartile remuneration for stretch performance. For KMP the mix of elements as a proportion of total remuneration at target is shown below.

	Fixed Pay %	STI %	LTI* %	Total %
MD & CEO	40%	29%	31%	100%
KMP Executives	52%	28%	20%	100%

* LTI value based on an estimate of the fair value of target awards. The face value equivalent award levels as a percentage of base pay are 155% for the MD & CEO and 80% for the KMP Executives.

Careful remuneration benchmarking is critical to achieving these objectives. The Board has taken advice and invested considerable thought in determining the appropriate peer group for BlueScope as shown above.

I) FIXED PAY

Fixed pay recognises the market value of an individual's skills, experience, accountability and their expected sustained contribution in delivering the fundamental requirements of their role. In order to attract and retain skilled leaders, BlueScope aims to maintain a competitive position for base pay – around the 60th percentile of the peer group.

II) SHORT TERM INCENTIVE (STI)

Whereas base pay recognises the attributes an individual executive brings to their role, STI focuses all executives on priority team-based outcomes. The targets are reset each year in the context of the specific business strategy and new priorities. STI awards are assessed at the end of each year and cover financial, safety, operational and strategic and new project measures. Failure to achieve a team-based target does not necessarily reflect inadequate performance on the part of a particular individual. The threshold, target and maximum STI award settings reflect general market practice for large Australian based industrial companies. Executives are not assured of an STI reward, as the Board retains the discretion to limit, defer or cancel STI awards and specifically considers and approves the objectives and awards for all KMP Executives and the MD & CEO each year.

The Board considers it particularly important in a transformation program to pay STI to KMP Executives for delivering outstanding quantified results even if the Company as a whole is not yet profitable. At the same time we have significantly reduced cash STI by withholding 50% of any STI grant in restricted shares that have a one year trading lock and will lapse on resignation or termination for cause. For FY 2014 and subsequent years, following a review of market practice amongst our peer companies the Board has amended the amount of STI withheld and awarded in restricted shares to 1/3 of the total STI awarded. All other terms and conditions of the restricted equity awards remain in place.

The Board has discretion to clawback deferred STI equity awards in the event of serious misconduct by management which undermines the Company's performance, financial soundness and reputation. These events include misrepresentation or material misstatements due to errors, omissions or negligence.

Target STI levels are set having regard to appropriate levels in the market and range from 10% of base pay through to 60% (or 53% of fixed pay) for the KMP other than the MD & CEO whose STI is 80% of base pay (or 70% of fixed pay). These levels are reviewed annually. For outstanding results, participants may receive up to a further 50% of their target award amount (individual objectives may be assessed at up to 200% of target for outstanding results with the maximum overall STI outcome capped at 150% of target).

The goals for each participant are drawn from the following categories:

- Companywide Financial Measures - performance measures may include Net Profit After Tax, Cash Flow and Return on Invested Capital;
- Own Business Controllables –-performance measures against a range of controllable Business Unit financial and Operational Excellence measures based on approved business plans;
- Zero Harm - safety performance measures, including Lost Time Injury Frequency Rates and Medical Treatment Injury Frequency Rates;

- Projects and New Initiatives - performance measures based on measurable execution and implementation of business priorities included in the strategic plan.

STI plans are developed using a balanced approach to financial measures and key performance indicator ('KPI') metrics. At the senior executive level, there is a minimum weighting of 25% allocated to companywide financials and a weighting of 5% to Zero Harm, with the balance of the STI allocated between Own Business Controllables comprising Business Unit financials, and Operational Excellence measures and Projects and New Initiatives. The minimum weighting to financials for KMP Executives is usually 55% comprising a 25% weighting to companywide financials and 30% to Business Unit financials.

The weightings that applied for FY 2013 were as follows:

	Company Financials %	Zero Harm %	Own Business Controllables (with a minimum weighting of 30% for Business Unit financial measures) %	Projects and New Initiatives %	Total %
MD & CEO	60%	5%	0%	35%	100%
KMP Executives	25%	5%	30 –70%	0 – 40%	100%

The allocated weightings will vary from year to year reflecting business priorities and the individual's role.

Performance conditions, including threshold, target and stretch hurdles, are set for each plan and approved by the Board for KMP Executives. If the threshold level is not reached, no payment is made in respect of that goal. The Board retains the discretion to adjust any STI payments in exceptional circumstances, including determining that a reduced award or even no award is paid. In FY 2009 the Board decided that no STI would be paid even though some performance objectives had been met because the overall Company profit performance was poor. Below target STI awards were paid in FY 2010, FY 2011 and FY 2012. The MD & CEO's STI for FY 2012 was zero.

III) LONG TERM INCENTIVE (LTI)

LTI is one of the means of aligning executives with the experience of shareholders. BlueScope uses a three-year time period to test Total Shareholder Return (TSR) relative to the ASX 100, to determine whether or not an executive receives a reward from this element in their remuneration package. The Board again considered adoption of a second measure but concluded to remain with 100% of the award subject to a relative TSR measure as we believe the best and most objective measure of the successful implementation of strategy is the delivery of returns to shareholders.

The quantum of LTI awards is normally calculated based on an agreed percentage of base salary divided by the face value of shares at the time of issue rather than fair value. Fair value, however, is used for reporting purposes as required by accounting standards, and is also used in benchmarking executive remuneration against the selected peer group which reports fair value.

For FY 2013, the Board has taken into account shareholder feedback related to LTI. Specifically, we agreed that the quantum of rights for KMP Executives would be calculated using a minimum share price of $2.40 reflecting the December 2011 capital raising price notwithstanding that the share price at the time of the grant was lower. We also extended the trading lock from one to two years, which takes the effective period for the FY 2013 LTI award to five years, and retained the tighter vesting hurdles introduced in FY 2012.

Following consultation with shareholders, the Board has decided to make the following changes to the LTI program for FY 2014:

- Retention Rights will not be issued and the LTI will be restored to 100% of its previous value. All Share Rights will be subjected to a relative TSR performance hurdle as we believe that the best and most objective measure of the successful implementation of strategy is future shareholder returns. The vesting scale for LTI Share Rights will continue to start at 40% at the 51st percentile.
- The Board intends to restore retesting on a restricted basis i.e. one retest after one year, not the previous four over two years. BlueScope continues to be affected by a volatile international steel market and volatile raw material prices. It is, therefore, important that strategic initiatives to continue our transition to a less volatile business portfolio are pursued by BlueScope's leadership team. However, this volatility introduces a level of uncertainty about the retention and incentive value of the LTI program during this transition period. The Board intends to recognise this fact as well as the continuation of the tougher vesting scale, and the actual vesting experience and cost of the LTI program, through a single vesting retest. The retest will operate to extend the performance period from three years to four years thus requiring significant out performance in the fourth year before any vesting can occur.
- The two year post vesting holding period over LTI Share Rights for FY 2013 balanced the absence of any post vesting holding requirements over Retention Rights. Going forward, the two year post vesting holding lock will be replaced by a shareholding policy. This requires a KMP Executive to build a minimum value of shares equivalent to 50% of base pay to be accumulated over time.

Executives at BlueScope are not permitted to hedge (such as 'cap and collar' arrangements) LTI awards, or vested shares held under trading lock restrictions. The last LTI that vested for BlueScope executives was the 2005 award, which vested in 2008. No LTI award has vested in the past five years.

IV) RETENTION EQUITY

In unprecedented circumstances, the Board has awarded retention shares to a limited number of executives, where their retention is critical to the successful delivery of business strategy.

This year the Board split executive LTI (except for the MD & CEO) into two parts. Half has been offered under normal LTI conditions described above. The other half was offered as Retention Rights which have a three year vesting hurdle, a minimum share price hurdle of $2.40 and will lapse if the executive leaves the Company before 31 August 2015. The Board has resolved not to reissue Retention Rights for FY 2014.

V) EQUITY DILUTION

A goal of the Board in developing the remuneration structure for this transition period has been to increase the percentage of remuneration paid in deferred equity to further reinforce the alignment of executive experience with shareholders. At the same time the Board is cognisant of investor concerns regarding further equity dilution. The following table shows the number and percentage of outstanding equity awards compared to the issued share capital of the Company as at 30 June 2013.

	LTIP Share Rights (incl FY 2013 Retention Rights)	Retention shares	STI rights	Total equity awards	General employee share plan	Issued share capital
Number of awards	15,270,040	1,184,885	578,404	17,033,329	1,819,465	558,243,305
As a % of issued share capital	2.74%	0.21%	0.10%	3.05%	0.33%	

5. HOW THIS POLICY APPLIES TO THE MD & CEO

This section of the Remuneration Report provides shareholders with an explanation of how the policies referred to above have been applied to the MD & CEO.

I) BASE PAY

The Board has undertaken a market based review of Mr O'Malley's base pay noting that he has not had an increase since 1 September 2010. As a result of the review, he will receive an increase of 3% from 1 September 2013.

II) SHORT TERM INCENTIVE (STI)

Shareholders were advised in the FY 2012 Remuneration Report that the payment of a target STI for FY 2013 would depend upon the achievement of the following target objectives: delivery of a major strategic transformational initiative; returning to a positive underlying profit and top quartile TSR performance relative to the ASX 100. Importantly, any STI awarded, will be delivered equally in cash and equity. The equity will be subject to a one year trading lock and will lapse on termination due to resignation or for cause.

The outcomes against each of these objectives has exceeded the expectations given to shareholders by the Company in last year's Remuneration Report. Accordingly, the Board has resolved that the MD & CEO should receive the maximum STI available in recognition of his leadership in the delivery of the following:

- A significant improvement in underlying profit - the Company has reported an underlying positive NPAT of $29.7M which compares to an underlying loss of $237.5M in FY 2012.
- The negotiation and execution of a major strategic change in the Company's business portfolio - the formation of the joint venture with NSSMC.
- Top quartile TSR performance relative to the ASX 100 – our TSR for the year ended 30 June 2013 was 161% (the highest of any company in the ASX 100). The next highest relative TSR achieved by a Company in our remuneration peer group was 62%.

STI objectives for FY 2014 will be based on improving underlying profit, maintaining a strong balance sheet and the implementation of growth strategies in each of our four businesses.

III) LONG TERM INCENTIVE (LTI)

The MD & CEO did not receive any LTI Share Rights in FY 2012 in view of the Company's financial performance and no Share Rights have vested in the past five years. The last award to vest was the 2005 award which vested in September 2008.

The MD & CEO received an award of Share Rights for FY 2013 under the existing terms of his LTI plan, as approved by shareholders at the AGM in 2010. However, the MD & CEO agreed that in addition to the relative Total Shareholder Return hurdle previously approved, no Share Rights will vest unless the share price is at least $2.40, the price offered to shareholders at the time of the capital raising in November 2011.

Shareholders will be asked to approve a new LTI plan for the MD & CEO to apply in FY 2014 which will reflect the changes described above at section 4(III) namely a three year performance period with one retest after the fourth year, with the vesting scale starting at 40% at the 52nd percentile. The new LTI plan will be more restrictive than previous awards with only one retest, a reduction in the number of shares that will vest at the 51st percentile of relative ASX100 TSR performance from 52% to 40%. Share Rights are not eligible for dividends until they vest.

Share Rights would be awarded using the current formula of 155% of base salary per annum. This percentage was agreed when the MD & CEO's initial contract was signed and at that time reflected an increased weighting to LTI and a reduced weighting of his STI.

6. HOW THIS POLICYAPPLIES TO KMP EXECUTIVES

This section explains how the executive remuneration policies adopted as part of our transition process have been applied to KMP Executives during FY 2012 and FY 2013.

I) BASE PAY

Shareholders were advised in the FY 2012 Remuneration Report that there would be no 'across-the-board' base pay increase for KMP Executives for FY 2013. The only KMP Executive to receive an increase in base pay was Mr Bob Moore, Chief Executive, Global Building Solutions who had his base pay increased to $750,000 with effect from 1 January 2013 reflecting the increased responsibilities in leading the Company's pre-engineered steel building businesses stretching from North America across China, Asia, India, the Middle East and Australia.

Keith Mitchelhill, formerly president North America left the Company on 31 March 2013 as a result of the restructure of the North American business.

The Board has undertaken a market based review of KMP Executive base pay and increases in the order of 3% will apply from 1 September 2013.

II) SHORT TERM INCENTIVE (STI)

The Company has reported an underlying positive NPAT of $29.7M. This compares to an underlying loss of $237.5M in FY 2012. BlueScope's financial performance of a $267.2M year on year improvement met internal targets to enable some but not all STI to be payable for Company Financials. This was supported by cash performance which was particularly good, as can be seen by the reduction in net debt from $584M before year end initiatives in FY 2012 to $148M in FY 2013. BlueScope has as its Number 1 priority a safety goal of Zero Harm. We set challenging year on year safety improvement targets and these were not met this year. Accordingly, no STI is payable for safety performance.

STI awards were made for achievement of Business Unit EBIT growth objectives, achieving outstanding cashflow results and implementation of fundamental restructuring initiatives to underpin a turnaround in Company financial performance. Full details of the achievements for each of the KMP Executives are included under section 8.4.

In addition, KMP Executives will have half of their total STI awards withheld, and delivered as restricted shares. These will lapse if the KMP Executive resigns or is terminated for cause within 12 months.

The basis of STI awards to KMP Executives are outlined below.

- The financial performance of the business units met some but not all of their financial targets. Importantly, cash performance was generally very good as demonstrated by a significant reduction in net debt year on year. Earnings performance was materially better than the prior year but challenging growth targets were set and these were not universally met.
- Successful negotiation and execution of the Coated Products Joint Venture with NSSMC on 28 March 2013 with proceeds of US$571.1M received. This provides our Coated Products business with new growth opportunities, has delivered a very strong balance sheet and enhances BlueScope's financial flexibility to invest in further growth opportunities.
- In BlueScope Australia and New Zealand (Mark Vassella, supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin):
  - Ongoing implementation of the restructure of the Coated and Industrial Products (CIPA) business achieved further significant cost reductions of $156.0M. This business is now strongly leveraged to a recovery in domestic demand with early signs of improvement, weakening in the A$ and reductions in unfairly traded imports.
  - Successful negotiation of workers compensation settlement ($36.6M benefit), and profit on sale of a previously unrecognised intangible asset $37.5M benefit.
  - Additional rationalisation and restructuring of the Distribution and Lysaght businesses delivered new cost reductions in the order of $33.0M and as a result of restructuring the New Zealand operations permanent savings of $15.0M per annum have been achieved.
  - Iron sands production and dispatches have expanded in New Zealand.
- In the Global Buildings Solutions business (Bob Moore and Pat Finan, supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin):
  - Nine new programme accounts were secured with a revenue objective of almost $230M at sustainable margins.
  - Our Xi'an plant, China's first three-star sustainable industrial building (the highest environmental rating in China) is now operational and will showcase to customers a new generation of sustainable industrial building solutions.
- In the Building Products business (Sanjay Dayal, supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin):

- Business restructure completed with a single management team and $11M cost savings identified (annualised savings of $8M realised in FY 2013). Execution of the strategy is anticipated to deliver a more sustainable business model.
- India: Business has improved significantly with increases in sales volume from 112,000 tonnes to 180,000 tonnes and revenue growth of 32% from $163.0M to $215.2M. The coating line is operating at 65% capacity the fastest ramp-up of any of our new coating lines.

- A range of debt management and financial restructuring initiatives resulting in significant reduced drawn debt during FY 2013 and successfully transforming the capital structure and lengthening its average debt tenor.

Due to outstanding achievements in improving the earnings performance of the Company, cash delivery and debt reduction, overall STI awards are higher than FY 2012. One half of the STI awards have been withheld in 'at risk' shares. The total cash STI awards in aggregate for the MD & CEO and all KMP Executives for FY 2013 as $3,116,182, FY 2012 was $994,476 and $3,051,813 for FY 2011.

III) LONG TERM INCENTIVE (LTI)

In relation to FY 2013, and as part of this transition process the Board halved the value of LTI that would normally be awarded, and the quantum of Share Rights was set to reflect, the $2.40 capital raising price. In addition, we have increased the trading lock over vested Share Rights from one to two years. The same tighter TSR hurdle introduced for FY 2012 will also be applied, together with a minimum $2.40 share price for vesting, only 40% vesting at the 51st percentile and with no retesting.

IV) RETENTION EQUITY

Shareholders were advised in the FY 2012 Remuneration Report, that the Board would be introducing a new Retention Rights scheme in FY 2013. Retention Rights have a retention hurdle of three years from 1 September 2012, and a minimum share price hurdle of $2.40 for vesting to occur. These Retention Rights will lapse in circumstances of resignation or termination for cause. The Board retains discretion in other circumstances. This scheme was funded by halving the normal value of the executive LTI program and there has been no change in cost to shareholders. The Board has resolved that the Retention Rights structure will not continue after FY 2013.

V) LONG TERM INCENTIVE PLAN

The following table summarises the key features of the current unvested Long Term Incentive Plan awards.

	FY2008	FY2009	FY2010	FY2011[1]	FY2012[1]	FY2013[1]		
Grant Date	5 November 2007 (all Executives excluding MD & CEO)	28 November 2008	30 November 2009	30 November 2010	16 April 2012	1 September 2012	1 September 2012	1 September 2012 and 20 December 2012
	14 November 2007 (MD & CEO)	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2009 AGM)	(In view of Company financial performance, the MD & CEO did not receive a grant of Share Rights this year)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	Terms of Issue for Nil-Exercise Price Share Rights offered to Key Management Personnel	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Exercise Date	From 1 September 2010	From 1 September 2011	From 1 September 2012	From 1 September 2013	From 1 February 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015
Expiry Date	31 October 2012	31 October 2013	31 October 2014	31 October 2015	31 January 2015	31 October 2017	31 October 2015	31 October 2015
Total Number of Share Rights Granted	322,474	374,708	1,348,413	1,756,092	7,198,493	1,367,464	695,449	4,506,475
Total Number of Cash Rights Granted [2]			26,333	27,667	520,422		146,667	365,650
Number of Participants at Grant Date	217	255	313	285	266	1	7	257
Number of Current Participants	0	130	202	243	247	1	7	255
Exercise Price	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fair Value Estimate at Grant Date	$11,468,263	$2,765,343	$10,516,812	$9,723,180	$7,234,294	$1,805,052	$997,204	$8,402,825
Fair Value per Share Right at Grant Date	$38.22 (5 Nov 2007) $38.52 (14 Nov 2007)	$9.84	$10.20	$7.20	$1.26	$1.32	$1.01	$1.06 (1 Sept 2012) $2.52 (20 Dec 2012)
Share Rights Lapsed since Grant Date	322,474	158,847	467,815	412,432	868,668	0	0	18,360
Cash Rights Lapsed since Grant Date	-	-	3,327	5,659	0	0	0	0
Performance Hurdle	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule and minimum share price of $2.40	Minimum share price of $2.40
Vesting Schedule								
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%	100%	100%	N/A
TSR Hurdle - 51st-<75th percentile	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.				No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	N/A
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance periods.				All Share Rights will lapse.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will lapse.	N/A
Vesting Outcome 1st Performance Period	0.00%	0.00%	0.00%	-	-	-	-	-
Vesting Outcome 2nd Performance Period	0.00%	0.00%	0.00%	-	No retesting	-	No retesting	No retesting
Vesting Outcome 3rd Performance Period	0.00%	0.00%	-	-	No retesting	-	No retesting	No retesting
Vesting Outcome 4th Performance Period	0.00%	0.00%	-	-	No retesting	-	No retesting	No retesting
Vesting Outcome 5th Performance Period	0.00%	-	-	-	No retesting	-	No retesting	No retesting

[1] These grants are within the first performance period and are yet to be tested.

[2] For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

7. THE RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION

The short-term and long-term incentive components of the remuneration structure reward achievement against Company and individual performance measures over one year and multi-year timeframes. The foundations were laid over the past three years to return the Company to profit. During that time executive remuneration, particularly for the MD & CEO, was severely constrained. The performance in FY 2013 demonstrates that we are making significant progress and it is appropriate that the remuneration outcomes this year reflect that.

The table below summarises the Company's performance for FY 2013 and the previous four years. FY 2013 represents the best financial performance in three years, an $872M improvement in reported EBIT, and this improvement was delivered following major cost reductions and business restructures to offset the challenges of a significant decline in global steel industry margins, a high Australian dollar and the softest Australian domestic demand in a decade.

Our compensation scheme is aligned with this performance as represented below:

- There has been no vesting of LTI awards in the past five years.
- Significantly below target STI payments made for FY 2010, FY 2011 and FY 2012.
- The MD & CEO has had no base salary increase since 2010.
- No LTI was awarded to MD & CEO in 2012.
- Due to prior Board and KMP shareholding policy, Board members and KMP have experienced significant value loss on retained shares as have other shareholders.

Measure	30 June 2009	30 June 2010	30 June 2011	30 June 2012	30 June 2013
Share Price ($) [1]	15.18	12.60	7.26	1.80	4.67
Dividend per Share					
Ordinary (cents)	20	25	10	0	0
Earnings per Share (cents) [1]	-36.0	35.0	-291.3	-234.6	-15.1
REPORTED [2]					
NPAT $ M	-66.0	126.0	-1054.0	-1043.5	-84.1
EBIT $ M	15.0	240.0	-1043.0	-819.9	51.7
EBITDA $ M	380.0	590.0	-687.0	-489.1	367.3
UNDERLYING [2]					
NPAT $ M	35.0	110.0	-127.0	-237.5	29.7
EBIT $ M	152.0	253.0	-107.0	-224.3	102.8
EBITDA $ M	506.0	594.0	240.0	98.9	418.3

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, share prices and earnings per share for the prior periods, have been restated to reflect this change. .
2) The use of the term 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the financial report which has been subject to audit by our external auditors. A detailed reconciliation of adjustments to the reported financial information is provided on page 3 of the Director's Report.

8. SPECIFIC REMUNERATION DETAILS

8.1 NON-EXECUTIVE DIRECTORS' REMUNERATION

The Committee, on behalf of the Board, seeks the advice of expert external remuneration consultants to ensure that fees and payments reflect the duties of Board members and are in line with the market. The Chairman and the Deputy Chairman of the Board do not participate in any discussions relating to the determination of their own fees.

Non-executive Directors do not receive Share Rights or other performance-based rewards. Non-executive Directors are expected to acquire over time a shareholding in the Company at least equivalent in value to 50% of their annual remuneration.

Fees are normally reviewed annually on 1 January. The Board decided that there would be no increase in Directors' fees for2013. Directors' fees have not been increased since 1 January 2011 and prior to that Directors' base fees had not been increased since 1 January 2006. Committee fees have not been increased since 1 January 2008.

The schedule of fees (exclusive of superannuation) effective 1 January 2013, and which currently applies, is as follows:

Role	Fees effective 1 Jan 2013
Chairman [1]	$472,500
Deputy Chairman [1]	$273,000
Non-executive Director	$157,500
Chairman of Audit and Risk Committee	$36,750
Member of Audit and Risk Committee	$18,900
Chairman of Remuneration and Organisation Committee	$26,250
Member of Remuneration and Organisation Committee	$13,650
Chairman of Health, Safety and Environment Committee	$26,250
Member of Health, Safety and Environment Committee	$13,650
Travel and Representation Allowance [2]	$21,000

1) Additional fees are not payable to the Chairman and Deputy Chairman for membership of Committees.
2) Allowance paid to Tan Yam Pin who is based in Singapore.

The maximum fee pool limit is currently $2,925,000 per annum (inclusive of superannuation) as approved by shareholders at the Annual General Meeting in 2008. Total fees paid to Directors for the year ended 30 June 2013 amounted to $2,018,387.

Compulsory superannuation contributions per Director capped at $17,775 per annum (commencing 1 July 2013) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2013 were $16,470 per annum. Non-executive Directors do not receive any other retirement benefits.

8.2 KEY MANAGEMENT PERSONNEL – DIRECTORS' REMUNERATION

Details of the audited remuneration for the year ended 30 June 2013 for each Non-executive Director of BlueScope are set out in the following table.

KMP Remuneration – Non-executive Directors

		Short-term employee benefits				
Name	**Year**	**Fees[1]**	**Non-monetary**	**Sub-total**	**Post-employment benefits [2]**	**Total**
		$	$	$	$	$
Director - Current						
G J Kraehe	2013	472,500	9,708	482,208	16,470	498,678
	2012	472,500	10,672	483,172	15,775	498,948
R J McNeilly	2013	273,000	-	273,000	16,470	289,470
	2012	273,000	-	273,000	15,775	288,775
D J Grady [3]	2013	124,389	1,324	125,713	10,378	136,091
	2012	197,400	-	197,400	15,775	213,175
H K McCann [3]	2013	145,271	1,324	146,595	12,589	159,184
	2012	190,050	-	190,050	15,775	205,825
Y P Tan	2013	205,800	1,324	207,124	16,470	223,594
	2012	205,800	-	205,800	15,991	221,791
D B Grollo	2013	202,650	-	202,650	16,470	219,120
	2012	193,103	-	193,103	15,775	208,878
K A Dean	2013	207,900	-	207,900	16,470	224,370
	2012	207,900	-	207,900	15,775	223,675
P Bingham-Hall	2013	188,968	-	188,968	16,470	205,438
	2012	175,665	-	175,665	15,775	191,440
E G W Crouch [4]	2013	57,434	-	57,434	5,008	62,442
	2012	-	-	-	-	-
Total 2013		1,877,912	13,680	1,891,592	126,795	2,018,387
Total 2012		1,915,418	10,672	1,926,090	126,416	2,052,506

1) There was no increase in Directors' fees during the year. The last increase in fees occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in Committee fees on 1 January 2008.
2) Post employment benefits relate to government compulsory superannuation contributions.
3) D J Grady and H K McCann retired with effect 15 February 2013 and 5 April 2013 respectively.
4) E G W Crouch was appointed to the Board with effect from 12 March 2013.

8.3 KEY MANAGEMENT PERSONNEL – EXECUTIVES (INCLUDING MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S) REMUNERATION

The Key Management Personnel of BlueScope Steel Limited includes those members of the KMP Executive Team who have the authority and responsibility for planning, directing and controlling the activities of the Company.

The following table shows the composition of the KMP Executive Team during the year.

Current KMP - Executives	Position	Dates position held during year ended 30 June 2013
P F O'Malley	Managing Director and Chief Executive Officer	1 July 2012 – 30 June 2013
I R Cummin	Executive General Manager, People and Organisation Performance	1 July 2012 – 30 June 2013
M R Vassella	Chief Executive, BlueScope Australia and New Zealand	1 July 2012 – 30 June 2013
S R Elias	Chief Financial Officer	1 July 2012 – 30 June 2013
M G Barron	Chief Legal Officer and Company Secretary	1 July 2012 – 30 June 2013
S Dayal	Chief Executive, Building Products	1 July 2012 – 30 June 2013
R Moore	Chief Executive, Global Building Solutions	1 July 2012 – 30 June 2013
P Finan	Executive General Manager, Global Building & Construction Markets	1 July 2012 – 30 June 2013
K A Mitchelhill [1]	Executive General Manager	1 July 2012 – 31 March 2013

1) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013.

The audited information contained in the following tables represents the annual remuneration for the year ended 30 June 2013 for the KMP. The aggregate remuneration of the KMP of the Company is set out below.

	2013 [1]	2012
	$	$
Short-term employee benefits [2]	13,113,769	11,324,526
Post-employment benefits	196,517	346,715
Other long-term benefits	108,167	335,994
Termination benefits	852,000	-
Share-based payments [3,4]	7,448,763	4,385,420
Total	21,719,216	16,392,655

1) The increase in remuneration from FY 2012 to FY 2013 is largely attributable to the fact that the MD & CEO was not awarded an STI or LTI in FY 2012 and the awarding of STI in FY 2013, the termination payment to Mr Mitchelhill and an accounting requirement to expense equity awards made to Mr Dayal at the year end share price rather than fair value at the date of grant.
2) This includes base salary, annual leave accruals, non-monetary benefits, superannuation received as cash allowance and STI payments.
3) This relates to awards of Share Rights that can only vest when performance hurdles are achieved.
4) For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

The remuneration of each member of the KMP of the Company is set out in the following tables.

KMP - Remuneration – 2013

KMP REMUNERATION

		Short-term employee benefits									Share-based payment			
Name	Year	Salary and fees [1]	Movement in annual leave provision [2]	Short Term Incentive [3]	Non-monetary [4]	Other [5]	Sub-total	Post-employment benefits [6]	Other long-term employee benefits [7]	Termination benefits	Shares and units	Options and rights [3]	Total	% of performance related pay [8]
		$	$	$	$	$	$	$	$	$	$	$	$	%
Executive Director														
P F O'Malley	2013	1,750,000	14,472	1,050,000	995	220,000	3,035,467	25,000	41,890	0	3,726	2,039,381	5,145,464	60.0
	2012	1,750,000	-20,008	0	995	220,000	1,950,987	25,000	43,811	0	42,725	741,498	2,804,021	26.4
KMP Executives														
M R Vassella	2013	1,000,000	-18,654	395,100	88,620	115,000	1,580,066	25,000	23,937	0	268,667	772,291	2,669,961	43.7
	2012	961,538	29,917	0	538,312	110,577	1,640,344	24,038	123,188	0	267,921	603,238	2,658,729	22.7
I R Cummin	2013	620,000	-21,101	222,828	995	61,800	884,522	25,000	14,841	0	166,562	478,225	1,569,150	44.7
	2012	618,376	8,231	111,600	995	30,796	769,998	55,769	24,701	0	166,100	289,008	1,305,576	30.7
M G Barron	2013	620,000	41,896	242,358	995	61,800	967,049	25,000	14,841	0	166,562	497,755	1,671,207	44.3
	2012	618,376	16,506	111,600	0	35,537	782,020	50,000	26,448	0	166,100	289,008	1,313,575	30.5
S R Elias	2013	763,000	18,047	295,510	1,015	81,820	1,159,392	25,000	18,264	0	204,996	603,620	2,011,272	44.7
	2012	760,590	42,000	137,340	1,493	81,483	1,022,906	25,000	24,888	0	204,427	347,832	1,625,053	29.9
S Dayal	2013	881,587	61,028	330,528	-158,803	98,200	1,212,540	25,000	22,329	0	164,134	1,273,357	2,697,360	59.5
	2012	835,710	22,543	217,800	-25,410	67,770	1,118,414	47,917	35,531	0	56,363	423,852	1,682,076	38.1
P J Finan	2013	471,367	5,513	144,474	234,756	0	856,110	0	0	0	126,763	296,564	1,279,437	34.5
	2012	445,506	5,607	82,764	357,392	0	891,269	18,170	0	0	126,411	154,843	1,190,693	20.0
R J Moore	2013	713,739	33,253	245,250	1,168,529	74,797	2,235,568	25,000	44,425	0	162,301	473,236	2,940,530	24.4
	2012	604,000	-17,853	154,926	372,461	35,967	1,149,501	47,917	30,128	0	161,850	241,396	1,630,792	24.3
K A Mitchelhill [9]	2013	707,087	33,073	190,134	175,286	77,475	1,183,055	21,517	-72,360	852,000	-116,477	-132,900	1,734,835	3.3
	2012	852,000	44,560	127,800	316,137	94,280	1,434,777	25,000	27,299	0	239,953	329,071	2,056,100	22.2
N H Cornish [10]	2013	0	0	0	0	0	0	0	0	0	0	0	0	0.0
	2012	89,432	0	0	28,394	0	117,826	12,520	0	0	0	-360,031	-229,685	0.0
P E O'Keefe [10]	2013	0	0	0	0	0	0	0	0	0	0	0	0	0.0
	2012	356,191	0	50,646	5,167	34,482	446,486	15,384	0	0	0	-106,145	355,725	0.0
Total 2013		7,526,780	167,527	3,116,182	1,512,388	790,892	13,113,769	196,517	108,167	852,000	1,147,234	6,301,529	21,719,216	
Total 2012		7,891,719	131,503	994,476	1,595,936	710,892	11,324,526	346,715	335,994	0	1,431,850	2,953,570	16,392,655	

1) The only KMP to receive a base pay increase was Mr Moore. The year on year changes from FY 2012 to FY 2013 in the table are due to small payroll timing differences and also exchange rate differences for overseas based KMPs.
2) Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued during the current year.
3) The amount disclosed under the heading Short Term Incentive (STI) represents the 50% of STI payable in cash. The remaining 50% is withheld and payable in restricted equity which is included as a share based payment.
4) Non-monetary includes executive health check and benefits provided under the Company's international assignment policy e.g. accommodation, tax equalisation, relocation benefits and medical coverage.
5) Due to changes in the superannuation legislation resulting in maximum contribution levels, members of the Defined Contribution Division can elect to receive a proportion of their superannuation as a cash allowance.
6) Post-employment benefits relate to superannuation contributions. There are no other post-employment benefits.
7) This shows movement in long service leave benefits during the year.
8) The percentage of remuneration that is performance related recognises LTI based on accounting values rather than the amounts actually received. The last LTI award to vest was the 2005 Award that vested in September 2008.
9) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013. He was entitled to a termination payment of 12 months base pay, under the terms of his employment contract. Note also STI was 100% cash, due to departure.
10) Mr Cornish and Mr O'Keefe left the company during FY 2012.

8.4 SHORT TERM INCENTIVE AWARDS

For the year ended 30 June 2013 STI awards were made for the achievement of quantifiable objectives including a significant turnaround in the Company's financial position, top quartile relative TSR performance, and the successful execution a major strategic initiative (the establishment of the joint venture with Nippon Sumitomo Steel). One half of any STI awarded has been withheld and delivered as restricted Share Rights. These will lapse if the executive resigns or is dismissed within 12 months. Eligibility to receive an STI award is subject to the terms and conditions of the plan, including a minimum of six months' performance during the plan year and employment during the period is not terminated for resignation or performance-related reasons.

Under the Company's Short Term Incentive Plan each executive can earn between 0% and 150% (maximum) of the STI target award. The table below shows the, actual percentage outcome achieved and percentage forfeited for the year ended 30 June 2013.

SHORT TERM INCENTIVES

Name	Actual STI as a % of maximum STI for year ended 30 June 2013 [1]	% of maximum STI forfeited for year ended 30 June 2013
	%	%
Executive Director		
P F O'Malley	100	0
KMP Executives		
M R Vassella	88	12
I R Cummin	80	20
M G Barron	87	13
S R Elias	86	14
S Dayal	83	17
P J Finan	66	34
R J Moore	73	27
K A Mitchelhill	34	66

1) 50% of total STI awarded is payable in cash and 50% is withheld and payable in restricted equity.

8.5 SHARE RIGHTS HOLDINGS

Share Rights granted, exercised and forfeited by the KMP during the year ended 30 June 2013 were as follows:

Name	Remuneration consisting of Share Rights [1]	Value of Share Rights granted during the year at grant date [2]	Value of Share Rights exercised during the year	Value of Share Rights at lapse date, that lapsed during the year	Total value of Share Rights granted, exercised and lapsed during the year
	%	$	$	$	$
Executive Director					
P F O'Malley	35	1,805,052		247,228	2,052,280
KMP Executives					
M R Vassella	25	660,163	-	50,240	710,403
I R Cummin	19	297,910	-	40,819	338,729
M G Barron	18	297,910	-	40,819	338,729
S R Elias	18	366,622	-	47,100	413,722
S Dayal	18	482,129	-	-	482,129
P J Finan	18	223,906	-	20,174	244,080
R J Moore	12	365,222	-	25,480	390,702
K A Mitchelhill [3]	7	127,564	-	292,277	419,841

1) This figure is calculated on the value of Share Rights awarded in the year ended 30 June 2013 as a percentage of the total value of all remuneration received in that same year.
2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights awarded in the year ended 30 June 2013. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.
3) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013.

The Share Rights awarded to executives under the September 2007 Award were tested after the last (31 August 2012) performance period and no vesting occurred. As this was the final performance period for the 2007 Award and as the Award has not vested, all Share Rights granted under the Award have been lapsed under the terms of the Award. The September 2008 Award was tested after the third (31 August 2012) and fourth (28 February 2013) performance periods and no vesting occurred. The September 2009 Award was tested after the first (31 August 2012) and the second (28 February 2013) performance periods and no vesting occurred. Both the September 2008 and 2009 Awards will be tested after the conclusion of the fifth and third performance period respectively on 31 August 2013.

Details of the audited Share Rights holdings for year ended 30 June 2013 for the KMP - Executives are set out in the following table. Refer to the Summary Table of Long Term Incentive Plan Awards (section 6(V)) for details with respect to fair values, exercise price and key dates.

The following table summarises the vesting history of awards i.e. notes the Company's Long Term Incentive plans since listing in 2002.

BSL LTIP VESTING HISTORY

Award – Date	Test	Test Date	Performance Outcome
FY 2003 - September 2002	First	September 2005	• 100% vested
FY 2004 - September 2003	First Second Third	September 2006 February 2007 September 2007	• 71% vested • 26% vested • 3% vested
FY 2005 - September 2004	First Second	September 2007 February 2008	• 58% vested • 42% vested
FY 2006 - September 2005	First	September 2008	• 100% vested
FY 2007 - September 2006	First Second Third Fourth Fifth	September 2009 February 2010 September 2010 February 2011 September 2011	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting
FY 2008 - September 2007	First Second Third Fourth Fifth	September 2010 February 2011 September 2011 February 2012 September 2012	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting
FY 2009 - September 2008	First Second Third Fourth Fifth	September 2011 February 2012 September 2012 February 2013 September 2013	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting expected
FY 2010 - September 2009	First Second Third Fourth Fifth	September 2012 February 2013 September 2013 February 2014 September 2014	• Nil vesting • Nil vesting • Nil vesting expected • Nil vesting expected • Nil vesting expected
FY 2011 - September 2010	First Second Third Fourth Fifth	September 2013 February 2014 September 2014 February 2015 September 2015	• Nil vesting expected • Nil vesting expected • Nil vesting expected • Nil vesting expected • Nil vesting expected
FY 2012 - February 2012 (KMP only MD & CEO nil award)	Single test Release date	January 2015 January 2016	• To be tested
FY 2013 - September 2012 ELT FY 2013 - September 2012 ELT FY 2013 - September 2012 CEO	Retention Rights Single test Release date First Second Third Fourth Fifth	September 2015 September 2015 September 2017 September 2015 February 2016 September 2016 February 2017 September 2017	• $2.40 share price hurdle • To be tested • To be tested

Note: Retention shares awarded on 1 July 2011 will vest on 1 July 2014 (KMP except the MD & CEO who did not participate and a small number of Executives) as LTI was not providing a retention incentive.

Share Rights holdings for the financial year ended 30 June 2013 [1]

2013	Balance at 30 June 2012	Granted in year ended 30 June 2013 [2]	Exercised in year ended 30 June 2013 [3]	Lapsed in year ended 30 June 2013	Balance at 30 June 2013	Vested and not yet exercised in year ended 30 June 2013	Unvested at 30 June 2013	Total Share Rights vested in year ended 30 June 2013
Executive Director								
P F O'Malley	434,606	1,367,464	-	38,509	1,763,561	-	1,763,561	-
KMP Executives								-
M R Vassella	419,492	451,369	-	7,887	862,974	-	862,974	-
I R Cummin	273,411	230,342	-	6,408	497,345	-	497,345	-
M G Barron	273,411	230,342	-	6,408	497,345	-	497,345	-
S R Elias	332,889	283,469	-	7,394	608,964	-	608,964	-
S Dayal	361,866	353,287	-	-	715,153	-	715,153	-
P J Finan	223,707	173,706	-	3,167	394,246	-	394,246	-
R J Moore	251,389	272,895	-	4,000	520,284	-	520,284	-
K A Mitchelhill [4]	362,728	56,695	-	177,805	241,618	-	241,618	-

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, Share Rights holdings for the prior periods, have been restated to reflect this change.
2) The number of Share Rights granted includes rights awarded under the FY 2012 Short Term Incentive plan disclosed in the FY 2012 Remuneration Report.
3) The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.
4) Mr Mitchelhill retains pro-rata Share Rights with vesting subject to achieving performance hurdles. The balance is represented as at 31 March 2013.

Share Rights holdings for the financial year ended 30 June 2012 [1]

2012	Balance at 30 June 2011	Granted in year ended 30 June 2012	Exercised in year ended 30 June 2012 [2]	Lapsed in year ended 30 June 2012	Balance at 30 June 2012	Vested and not yet exercised in year ended 30 June 2012	Unvested at 30 June 2012	Total Share Rights vested in year ended 30 June 2012
Executive Director								
P F O'Malley	446,289	0	-	11,683	434,606	-	434,606	-
KMP Executives								-
M R Vassella	97,430	322,062	-	-	419,492	-	419,492	-
I R Cummin	82,715	199,679	-	8,983	273,411	-	273,411	-
M G Barron	81,999	199,679	-	8,267	273,411	-	273,411	-
S R Elias	87,155	245,734	-	-	332,889	-	332,889	-
S Dayal	78,452	283,414	-	-	361,866	-	361,866	-
P J Finan	57,870	170,504	-	4,667	223,707	-	223,707	-
R J Moore	60,864	194,525	-	4,000	251,389	-	251,389	-
K A Mitchelhill	88,331	274,397	-	-	362,728	-	362,728	-
N H Cornish [3]	111,364	-	-	74,498	36,866	-	36,866	-
P E O'Keefe [3]	75,740	-	-	24,882	50,858	-	50,858	-

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, Share Rights holdings have been restated to reflect this change.
2) The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.
3) Mr Cornish and Mr O'Keefe retain pro-rata Share Rights with vesting subject to achieving performance hurdles. The balances are represented as at departure date.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2013 for each KMP.

Share Rights Award Summary [1]

2013	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2013	% forfeited in year ended 30 June 2013	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2013 [2]	
							$ Min	$ Max
Executive Director								
P F O'Malley	38,509	14-Nov-07	-	100%	-	-	-	-
	41,060	28-Nov-08	-	-	41,060	2014	-	404,030
	155,000	30-Nov-09	-	-	155,000	2014	-	1,581,000
	200,037	30-Nov-10	-	-	200,037	2014	-	1,440,266
	0	16-Apr-12	-	-	-	-	-	-
	1,367,464	01-Sep-12			1,367,464	2016		1,805,052
KMP Executives								
M R Vassella	7,887	05-Nov-07	-	100%	-	-	-	-
	9,335	28-Nov-08	-	-	9,335	2014	-	91,856
	35,239	30-Nov-09	-	-	35,239	2014	-	359,438
	44,969	30-Nov-10	-	-	44,969	2014	-	323,777
	322,062	16-Apr-12	-	-	322,062	2015	-	405,798
	159,702	17-Aug-12	-	-	159,702	2014		359,330
	166,667	01-Sep-12	-	-	166,667	2016		168,334
	125,000	01-Sep-12	-	-	125,000	2016		132,500
I R Cummin	6,408	05-Nov-07	-	100%	-	-	-	-
	7,019	28-Nov-08	-	-	7,019	2014	-	69,067
	26,495	30-Nov-09	-	-	26,495	2014	-	270,249
	33,810	30-Nov-10	-	-	33,810	2014	-	243,432
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	-	-	49,508	2014	-	111,393
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150
M G Barron	6,408	05-Nov-07	-	100%	-	-	-	-
	7,019	28-Nov-08	-	-	7,019	2014	-	69,064
	26,495	30-Nov-09	-	-	26,495	2014	-	270,249
	33,810	30-Nov-10	-	-	33,810	2014	-	243,432
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	-	-	49,508	2014	-	111,393
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150

2013	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2013	% forfeited in year ended 30 June 2013	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2013 [2] $ Min	$ Max
S R Elias	7,394	05-Nov-07	-	100%	-	-	-	-
	8,137	28-Nov-08	-	-	8,137	2014	-	80,068
	30,715	30-Nov-09	-	-	30,715	2014	-	313,293
	40,909	30-Nov-10	-	-	40,909	2014	-	294,545
	245,734	16-Apr-12	-	-	245,734	2015	-	309,625
	60,927	17-Aug-12	-	-	60,927	2014	-	137,086
	127,167	01-Sep-12	-	-	127,167	2016	-	128,439
	95,375	01-Sep-12	-	-	95,375	2016	-	101,098
S Dayal [3]	7,567	28-Nov-08	-	-	7,567	2014	-	74,459
	30,000	30-Nov-09	-	-	30,000	2014	-	306,000
	40,885	30-Nov-10	-	-	40,885	2014	-	294,372
	283,414	16-Apr-12	-	-	283,414	2015	-	357,102
	96,620	17-Aug-12	-	-	96,620	2014	-	217,395
	146,667	01-Sep-12	-	-	146,667	2016	-	148,134
	110,000	01-Sep-12	-	-	110,000	2016	-	116,600
P J Finan	3,167	14-Nov-07	-	100%	-	-	-	-
	4,167	28-Nov-08	-	-	4,167	2014	-	41,003
	16,667	30-Nov-09	-	-	16,667	2014	-	170,003
	29,202	30-Nov-10	-	-	29,202	2014	-	210,254
	170,504	16-Apr-12	-	-	170,504	2015	-	214,835
	36,716	17-Aug-12	-	-	36,716	2014	-	82,611
	78,280	01-Sep-12	-	-	78,280	2016	-	79,063
	58,710	01-Sep-12	-	-	58,710	2016	-	62,233
R J Moore	4,000	14-Nov-07	-	100%	-	-	-	-
	4,669	28-Nov-08	-	-	4,669	2014	-	45,943
	17,625	30-Nov-09	-	-	17,625	2014	-	179,775
	30,570	30-Nov-10	-	-	30,570	2014	-	220,104
	194,525	16-Apr-12	-	-	194,525	2015	-	245,102
	68,728	17-Aug-12	-	-	68,728	2014	-	154,638
	116,667	01-Sep-12	-	-	116,667	2016	-	117,834
	87,500	01-Sep-12	-	-	87,500	2016	-	92,750
K A Mitchelhill	9,209	28-Nov-08	-	8%	8,472	2014	-	83,364
	34,762	30-Nov-09	-	10%	31,286	2014	-	319,117
	44,360	30-Nov-10	-	14%	38,150	2014	-	274,680
	274,397	16-Apr-12	-	61%	107,015	2015	-	134,839
	56,695	17-Aug-12	-	0%	56,695	2014	-	127,564

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, Share Rights awarded for the prior periods, have been restated to reflect this change.
2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2013.
3) Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in FY 2012 which delivers a cash payment on vesting.

8.6 SHARES AWARDED AS REMUNERATION

No shares were awarded to executives during year ended 30 June 2013. During the year some shares that were awarded under special share awards made prior to year ended 30 June 2012 vested in the year ended 30 June 2013.

Share Award Summary [1]

2013	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2013	% forfeited in year ended 30 June 2013	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2013 [2]	
							$ Min	$ Max
Executive Director								
P F O'Malley	3,000	06-Aug-07	100	-	-	-	-	-
KMP Executives								
M R Vassella	108,233	29-Aug-11	-	-	108,233	2015	-	551,990
I R Cummin	67,100	29-Aug-11	-	-	67,100	2015	-	342,210
M G Barron	67,100	29-Aug-11	-	-	67,100	2015	-	342,210
S R Elias	82,584	29-Aug-11	-	-	82,584	2015	-	421,178
S Dayal [3]	80,634	29-Aug-11	-	-	80,634	2015	-	411,233
P J Finan	51,067	29-Aug-11	-	-	51,067	2015	-	260,442
R J Moore	65,384	29-Aug-11	-	-	65,384	2015	-	333,458
K A Mitchelhill [4]	92,217	29-Aug-11	-	42	53,486	2015	-	272,779

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, shares awarded for the prior period, have been restated to reflect this change.
2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2013.
3) Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in FY 2012 which delivers a cash payment on vesting.
4) Mr Mitchelhill retained pro-rata shares due to his redundancy, as approved by the Board.

8.7 SHARE HOLDINGS IN BLUESCOPE STEEL LIMITED

The following table details the shares held by KMP – Non-executive Directors and Executives, as well as any related party interests in BlueScope Steel Limited as at 30 June 2013.

SHARE HOLDINGS[1] IN BLUESCOPE STEEL LIMITED

Name	Ordinary shares held as at 30 June 2013	Ordinary shares held as at 30 June 2012 [2]
Non-executive Directors		
G J Kraehe	106,883	106,883
R J McNeilly	396,452	396,452
Y P Tan	47,135	47,135
D B Grollo	38,447	38,447
K A Dean	29,488	24,488
P Bingham-Hall	47,834	20,334
E G W Crouch [3]	14,500	0
D J Grady [4]	62,835	62,835
H K McCann [5]	27,063	27,063
Executive Director		
P F O'Malley	83,286	83,286
KMP Executives		
M R Vassella	117,952	117,952
I R Cummin	123,651	123,651
M G Barron	99,255	99,255
S R Elias	93,581	93,581
S Dayal [6]	3,334	3,334
P J Finan	82,309	82,309
R J Moore	224,453	224,453
K A Mitchelhill [7]	73,620	112,350
N H Cornish [8]	-	11,200
P E O'Keefe [9]	-	19,218

1) Including related party interests.
2) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, share holdings for the prior period, have been restated to reflect this change.
3) Mr Crouch was appointed to the Board with effect from 12 March 2013.
4) Ms Grady retired from the Board effective 15 February 2013. The share holding is represented as at 15 February 2013.
5) Mr McCann retired from the Board effective 5 April 2013. The share holding is represented as at 5 April 2013.
6) Mr Dayal also holds 80,634 Cash Rights awarded under the Special Retention Award.
7) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, Mr Mitchelhill's role became redundant and he left the Company on 31 March 2013. The share holding is represented as at 31 March 2013.
8) Mr Cornish retired on 31 July 2011.
9) Mr O'Keefe left the Company on 27 January 2012 following restructure of the Australian businesses.

9. KMP EXECUTIVES – SUMMARY OF TERMS OF EMPLOYMENT

9.1 MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – OUTLINE OF EMPLOYMENT CONTRACT

Paul O'Malley was appointed to the position of Managing Director and Chief Executive Officer effective from 1 November 2007.

Mr O'Malley's remuneration is reviewed annually in accordance with the terms of his employment contract. In addition, Mr O'Malley is eligible to participate in the Short Term Incentive Plan and, subject to shareholder approval, Long Term Incentive Plan awards.

Upon appointment Mr O'Malley was provided with 50,000 BlueScope Steel Limited shares (purchased on-market) to be held subject to certain restrictions. The final tranche of these shares vested on 6 August 2012.

The employment of Mr O'Malley may be terminated in the following circumstances:

- by notice: on six months' notice by either party. If BlueScope terminates Mr O'Malley's employment by notice, it may provide payment in lieu of notice and must make an additional payment of 12 months' annual base pay.
- with cause: immediate termination by BlueScope if, among other things, Mr O'Malley wilfully breaches his Service Contract, is convicted of various offences for which he can be imprisoned or is disqualified from managing a corporation, or engages in conduct which is likely to adversely impact the reputation of BlueScope. In this circumstance, Mr O'Malley will be entitled to his annual base pay up to the date of termination.
- illness or disablement: BlueScope may terminate Mr O'Malley's employment if he becomes incapacitated by physical or mental illness, accident or any other circumstances beyond his control for an accumulated period of six months in any 12-month period and, in this circumstance, will make payment of six months' notice based on annual base pay.
- fundamental change: Mr O'Malley may resign if a fundamental change in his employment terms occurs and within three months of the fundamental change Mr O'Malley gives notice to BlueScope. In this event, the Company will provide Mr O'Malley with six months' notice, or a payment in lieu of that notice, and a termination payment of 12 months' annual base pay.

The rules governing the Company's Long Term Incentive Plan and Short Term Incentive Plan will apply to his LTIP and STI awards on termination of his employment. These rules which provide that STI and LTIP awards will be forfeited if Mr O'Malley's employment is terminated for cause. Provision has also been made for early vesting (subject to satisfying performance testing requirements) of LTIP awards on a change of control.

Mr O'Malley is subject to a 12-month non-compete restriction after his employment ceases with BlueScope. Mr O'Malley cannot solicit or entice away from BlueScope any supplier, customer or employee or participate in a business that competes with BlueScope during the 12-month period.

9.2 OTHER KEY MANAGEMENT PERSONNEL – EXECUTIVES

Remuneration and other terms of employment for the disclosed KMP Executives are formalised in employment contracts that can be terminated with notice. Each of these agreements provide for an annual review of annual base pay, provision of performance-related STI awards, other benefits, including annual health assessment, and participation, when eligible, in the Long Term Incentive Plan. The contracts provide for notice of six months for resignation by the executive or termination by the Company. In the event of termination by the Company other than for cause, a termination payment of 12 months' pay applies. The maximum amount payable on termination will not exceed 12 month's fixed pay.

Agreements are also in place for KMP Executives detailing the approach the Company will take with respect to payment of their termination payments and with respect to exercising its discretion on the vesting of Share Rights in the event of a 'Change of Control' of the organisation.

OTHER MATTERS

ENVIRONMENTAL REGULATION

BlueScope's Australian manufacturing operations are subject to significant environmental regulation. Throughout its Australian operations, the Company notified relevant authorities of 21 incidents resulting in statutory non-compliances and 2 incidents resulting in potential statutory non-compliances with environmental licensing requirements during the financial year. During the period there were no serious environmental incidents or significant fines or prosecutions.

BlueScope Steel reports on an annual basis to the National Pollutant Inventory and, under the National Greenhouse and Energy Reporting scheme, on its greenhouse gas emissions and energy consumption and production. Under the federal Energy Efficiency Opportunities Program, BlueScope assesses its energy efficiency and reports publicly and to the government on its performance.

Each year BlueScope Steel publishes a Community Safety and Environment Report, which is available on our website. The report provides further details of the Company's environmental performance and initiatives.

INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the *Corporations Act 2001*. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel (listed on page 18). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

In accordance with Rule 21 of its Constitution, BlueScope Steel to the maximum extent permitted by law:

- must indemnify any current or former Director or Secretary; and
- may indemnify current or former executive officers,

of BlueScope Steel or any of its subsidiaries, against all liabilities (and certain legal costs) incurred in those capacities to a person, including a liability incurred as a result of appointment or nomination by BlueScope Steel or its subsidiaries as a trustee or as a director, officer or employee of another corporation.

Directors of BlueScope Steel, the Chief Financial Officer and the Chief Legal Officer and Company Secretary have entered into an Access, Insurance and Indemnity Deed with BlueScope Steel. The Deed addresses the matters set out in Rule 21 of the Constitution and includes, among other things, provisions requiring BlueScope Steel to indemnify an officer to the extent to which they are not already indemnified as permitted under law, and to use its best endeavours to maintain an insurance policy covering the period while they are in office and seven years after ceasing to hold office.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability insurance contract, as (in accordance with normal commercial practice) such disclosure is prohibited under the terms of the contract.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

As at the date of this report, there are no leave applications or proceedings brought on behalf of BlueScope Steel under section 237 of the *Corporations Act 2001*.

ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' 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.

AUDITOR INDEPENDENCE DECLARATION

Ernst & Young was appointed as auditor for BlueScope Steel at the 2002 Annual General Meeting.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Auditor's Independence Declaration for the year ended 30 June 2013 has been received from Ernst & Young. This is set out at page 50 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2013:

Audit related assurance services
$635,416 debt funding assurance.

Other services
$142,539 taxation compliance.

The Directors are satisfied that the provision of these non-audit services is compatible with the general standard of independence for auditors in accordance with the *Corporations Act 2001*. The nature, value and scope of each type of non-audit service provided is considered by the Directors not to have compromised auditor independence.

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

G J KRAEHE AO
Chairman

P F O'MALLEY
Managing Director and Chief Executive Officer

Melbourne
19 August 2013

Ernst & Young
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Building a better working world

Auditor's Independence Declaration to the Directors of BlueScope Steel Limited

In relation to our audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

RCPiltz

Rodney Piltz
Partner
19 August 2013

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

As a global organisation with businesses operating in many countries, the BlueScope Steel Group must comply with a range of legal, regulatory and governance requirements. The Board places great importance on the proper governance of the Group.

The Board operates in accordance with a set of corporate governance principles that take into account relevant best practice recommendations. These include the Corporate Governance Principles and Recommendations of the ASX Corporate Governance Council with 2010 Amendments (2nd edition) (ASX Principles and Recommendations).

The Company complies with each of the recommendations in the ASX Principles and Recommendations. A summary of BlueScope Steel's compliance with the recommendations follows, including details of specific disclosures required by a recommendation.
Further information on the Company's corporate governance policies and practices can be found on the Company's website.

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Board has adopted a Charter which sets out, among other things, its specific powers and responsibilities and the matters delegated to the Managing Director and Chief Executive Officer and those specifically reserved for the Board.

A statement of the matters reserved for the Board and the areas of delegated authority to senior management is available on the Company's website.

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. This involves evaluation of the executives by their immediate superior. Each executive is assessed against a range of criteria, including achievement of goals relating to financial performance, operational excellence, safety, and delivery of strategic projects and initiatives. All senior executives participated in a performance evaluation on this basis during the year ended 30 June 2013.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

The Board is structured to bring to its deliberations a range of commercial, operational, financial, legal and international experience relevant to the Company's global operations.

Pages 18 and 19 set out the qualifications, expertise and experience of each Director in office at the date of this Directors' Report, and their period of office.

The Board considers all of its Non-Executive Directors to be independent. In making this assessment, the Board considers whether the Director is free of any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise by the Director of an independent judgement in the interests of the Company as a whole.

In determining whether a relationship between the Company and a Director is material and would compromise the Director's independence, the Board has regard to all the circumstances of the relationship including, where relevant:

- the proportion of the relevant class of expenses or revenues that the relationship represents to both the Company and the Director; and
- the value and strategic importance to the Company's business of the goods or services purchased or supplied by the Company.

Further details regarding the circumstances considered by the Board in making assessments of independence are contained on the Company's website under 'Directors' Independence Policy'.

The Board seeks to achieve a Board composition with a balance of diverse attributes relevant to the Company's operations and markets, including skill sets, background, gender, geography and industry experience.

Board renewal and succession planning is an ongoing process at BlueScope Steel and in recent years has seen the appointment of Ken Dean, Penny Bingham-Hall and Ewen Crouch to the Board and the retirement of Diane Grady and Kevin McCann. The Nomination Committee has identified the key skills and experience desirable on the Board as including financial/risk management, legal/governance, people management and operations management expertise; experience in the building and construction and steel or other heavy manufacturing industries; strategic and M&A/transactional experience; and experience with customers. The Board also strives for both gender and geographic diversity within these skill sets. Based on the assessment by the Nomination Committee of the particular skill profile for new appointees, a sub-committee is appointed to engage a search firm to assist in identifying appropriate candidates for consideration by the Board from a broad pool of possible candidates.

The Board (and Board Committees and individual Directors) may obtain independent professional advice, at the Company's cost, in carrying out their responsibilities. Independent advice can be obtained without the involvement of the Company's management, where the Board or the Director considers it appropriate to do so. Procedures have been adopted by the Board setting out the practical steps by which independent advice may be obtained.

All Non-Executive Directors are members of the Nomination Committee. Their attendance at meetings of the Committee are set out on page 20. The Board reviews its effectiveness and the performance of each Director regularly.

The Board completed an internal review of its effectiveness in August 2013 involving distribution of a questionnaire to Directors and senior management. Confidential responses were collated by the Company's auditors and discussed by the Board. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among Board members and between Board and management.

In addition, each Committee reviews its performance and effectiveness periodically through a confidential questionnaire completed by members of the Committee and relevant management attendees. The results of these reviews are discussed by the Committee. Each Board Committee has conducted a review on this basis in the last 12 months. A formal review of the performance of individual Directors takes place periodically, particularly when a director is standing for re-election. The process generally involves the completion of an evaluation questionnaire by other Board members, the results of which are collated and discussed by the Chairman with the director concerned (or the Deputy Chairman in the case of the review of the Chairman) and with the Board as a whole. In addition, the performance of the Chairman and other Directors are reviewed regularly through other informal mechanisms such as meeting critiques, discussions between Directors and the Chairman, and as part of Board and Committee evaluations. Performance evaluation for individual directors has taken place consistent with the process described above.

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Business Conduct

The Company has a set of values known as 'Our Bond' and a 'Guide to Business Conduct', which provides an ethical and legal framework for all employees. The Guide defines how the BlueScope Steel Group relates to its customers, employees, shareholders and the community. Information relating to the Guide and 'Our Bond' is available on the Company's website.

In addition, the Board has established a Securities Trading Policy, which governs dealing in the Company's shares and derivative securities. A copy of the policy has been lodged with ASX and is available on the Company's website.

Diversity

At BlueScope, we know that our success comes from our people. We understand that the range of perspectives that result from a diverse and inclusive workplace will strengthen BlueScope's capability for sustained business success. We strive to hire, develop, promote and retain the most qualified people available to reflect the global diversity of our customers, markets and the communities in which we operate.

The Board and Executive Leadership Team of BlueScope recognise and value the diversity of the skills, perspectives and backgrounds that our employees bring to the Company. Our aim is to foster an inclusive environment and culture that values difference and thereby attracts, encourages and develops a talented, diverse and capable workforce. The key principles underpinning our approach to Diversity and Inclusion, along with the requirements for setting objectives, reporting, and monitoring can be found in our Diversity Policy on the Company's website.

BlueScope has made significant progress in priority areas of gender diversity and representation of local nationals on overseas leadership teams.

Employing localised management within the various geographical regions of our business has been a deliberate strategy with the objective of achieving a majority rather than complete localisation of management. Diversity within lead teams is also considered through the representation of different cultural-ethnic backgrounds. This has been significantly achieved with 60% of the Global Building Solutions leadership and 55% of the NS BlueScope Coated Products leadership being local. Over the past five years, the number of employees on international assignment has reduced by almost 50%.

Gender diversity also remains a key priority with the proportion of female executives almost doubling over the past five years. However, due to the significant contraction in the business in recent years there have been limited opportunities to improve gender diversity through new hires. The proportion of women as at June 30, 2013 is:

- Board 12.5%
- Senior executives 11.5%
- Salaried workforce 27.8%
- Wages workforce 2.9%
- Total BlueScope population 16.8%.

Our key measurable objective on gender diversity in FY2013 was the quarterly review and revision of a Diversity Action Plan for each Business Unit. These Diversity Action Plans identify actions around our four strategic drivers for diversity: Raising Awareness, Recruitment, Development and Retention.

The BlueScope Diversity Council, chaired by the MD&CEO completed quarterly reviews in FY2013 of the business Diversity Action Plans. Progress and actions to date on gender diversity as well as details of achievements and initiatives in representation of local nationals on overseas leadership teams are included on the Company's website.

Our key objective for gender diversity in FY2014 is to monitor progress against the Diversity Action Plans in the areas of:

- Attraction and Recruitment of females to the business
- Equal opportunity for and representation of females into learning and development programs
- Pay equity at all levels in our workforce.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

The Board has established an Audit and Risk Committee, which assists the Board in the effective discharge of its responsibilities for financial reporting, internal controls, risk management, internal and external audit, and insurance (with the exception of directors' and officers' liability insurance). The Committee's Charter is set out in full on the Company's website.

Separate discussions are held with the external and internal auditors without management present.

The composition and structure of the Audit and Risk Committee complies with the requirements of the ASX Principles and Recommendations. The names of the members of the Audit and Risk Committee and their attendance at meetings of the Committee are set out on page 20 of this Directors' Report. The qualifications of the members are set out on pages 18 and 19.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Company is subject to continuous disclosure obligations under the ASX Listing Rules and Australian corporations legislation. Subject to limited exceptions, the Company must immediately notify the market, through ASX, of any information that a reasonable person would expect to have a material effect on the price or value of its securities. As part of its continuous disclosure responsibilities, the Company has established market disclosure protocols to promote compliance with these requirements and to clarify accountability at a senior executive level for that compliance. These protocols have been updated to take into account the revised ASX Guidance Note 8 and changes to the ASX Listing Rules.

A summary of the Company's Continuous Disclosure Policy is included on the Company's website.

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

Respecting the rights of shareholders is of fundamental importance to the Company and a key element of this is how the Company communicates with its shareholders. In this regard, the Company recognises that shareholders must receive high-quality relevant information in a timely manner in order to be able to properly and effectively exercise their rights as shareholders. The Company's communications policy is summarised on the Company's website.

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Board has required management to design and implement a risk management and internal control system to manage the Company's material business risks and management has reported that those risks are being managed effectively.

For the annual and half-year accounts released publicly, the Board has received assurance from the Managing Director and Chief Executive Officer and the Chief Financial Officer that, in their opinion:

- the financial records of the Group have been properly maintained;
- the financial statements and notes required by accounting standards for external reporting:
  - (i) give a true and fair view of the financial position and performance of the Company and the consolidated BlueScope Steel Group; and
  - (ii) comply with the accounting standards (and any further requirements in the Corporations Regulations) and applicable ASIC Class Orders; and
- the above representations are based on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Information relating to the Company's policies on risk oversight and management of material business risks is available on the Company's website.

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Report (on pages 24 to 47) sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives.

The names of the members of the Remuneration and Organisation Committee and their attendance at meetings of the Committee are set out on page 20.

Information relating to:

- the role, rights, responsibilities and membership requirements for the Remuneration and Organisation Committee; and
- the Company's Securities Trading Policy which prohibits entering into transactions in associated products that limit the economic risk of participating in unvested entitlements under any equity-based remuneration schemes,

is also available on the Company's website.

Other than superannuation, there are no schemes for retirement benefits for Non-Executive Directors.

All information referred to in this Corporate Governance Statement as being on the Company's website is included under the 'About Us/ Governance' section of the Company's website.

A summary of the location of corporate governance information relevant to the ASX Principles and Recommendations can also be found in this section of the Company's website.

CORPORATE DIRECTORY

Directors	G J Kraehe AO *Chairman*
	R J McNeilly *Deputy Chairman*
	P F O'Malley *Managing Director and Chief Executive Officer*
	Y P Tan
	D B Grollo
	K A Dean
	P Bingham-Hall
	E G W Crouch AM
Secretary	M G Barron
Executive Leadership Team	P F O'Malley *Managing Director and Chief Executive Officer*
	M G Barron *Chief Legal Officer and Company Secretary*
	I R Cummin *Executive General Manager, People and Organisation Performance*
	S Dayal *Chief Executive, Building Products*
	S R Elias *Chief Financial Officer*
	P Finan *President, Global Building Solutions*
	R Moore *Chief Executive, Global Building Solutions*
	M R Vassella *Chief Executive, BlueScope Australia and New Zealand*
Notice of Annual General Meeting	The Annual General Meeting of BlueScope Steel Limited will be held at the Wesley Conference Centre, 220 Pitt Street, Sydney, New South Wales at 2.00 pm on Thursday 14 November 2013
Registered Office	Level 11, 120 Collins Street, Melbourne, Victoria 3000 Telephone: +61 3 9666 4000 Fax: +61 3 9666 4111 Email: bluescopesteel@linkmarketservices.com.au Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003
Share Registrar	Link Market Services Limited Level 12, 680 George Street, Sydney, NSW 2000 Postal address: Locked Bag A14, Sydney South, NSW 1235 Telephone (within Australia): 1300 855 998 Telephone (outside Australia): +61 1300 855 998 Fax: +61 2 9287 0303 Email: bluescopesteel@linkmarketservices.com.au
Auditor	Ernst & Young 8 Exhibition Street, Melbourne, Victoria 3000
Stock Exchange	BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)
Website Address	www.bluescope.com

BlueScope Steel Limited ABN 16 000 011 058
Annual Financial Report - 30 June 2013

BlueScope Steel Limited
Statement of comprehensive income
For the year ended 30 June 2013

	Notes	Consolidated 2013 $M	2012 $M
Revenue from continuing operations	5	**7,290.3**	8,472.2
Other income	6	**198.4**	113.4
Changes in inventories of finished goods and work in progress		**(14.0)**	(411.4)
Raw materials and consumables used		**(4,248.4)**	(5,032.3)
Employee benefits expense		**(1,352.3)**	(1,397.1)
Depreciation and amortisation expense	7	**(315.6)**	(323.3)
Impairment of non-current assets	7	**(2.6)**	(319.9)
Direct carbon emission expense	7	**(138.8)**	(0.3)
Freight on external despatches		**(441.8)**	(529.8)
External services		**(830.6)**	(884.5)
Restructuring costs	7	**(3.6)**	(403.6)
Finance costs	7	**(82.9)**	(120.4)
Other expenses		**(144.4)**	(192.3)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method	45, 46	**59.1**	53.2
Loss before income tax		**(27.2)**	(976.1)
Income tax (expense) benefit	8	**(37.1)**	(50.2)
Loss from continuing operations		**(64.3)**	(1,026.3)
Profit (loss) from discontinued operations after income tax	9	**1.7**	(1.6)
Net loss for the year		**(62.6)**	(1,027.9)
Items that may be reclassified to profit or loss			
Gain (loss) on cash flow hedges taken to equity		**(1.3)**	-
- Income tax (expense) benefit		**0.4**	-
Net gain (loss) on hedges of net investments in foreign subsidiaries	35(a)	**17.6**	(2.4)
- Income tax (expense) benefit		**-**	0.7
Exchange differences on translation of foreign operations attributable to BlueScope Steel Limited		**73.0**	41.6
- Income tax (expense) benefit		**0.1**	-
Exchange differences transferred to profit on translation of foreign operations disposed	35(a)	**-**	11.6
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on defined benefit superannuation plans	35(b)	**195.8**	(278.7)
- Income tax (expense) benefit	8	**(41.3)**	58.3
Exchange differences on translation of foreign operations attributable to non-controlling interests		**39.4**	1.5
Other comprehensive income (loss) for the year		**283.7**	(167.4)
Total comprehensive income (loss) for the year		**221.1**	(1,195.3)
Profit (loss) is attributable to:			
Owners of BlueScope Steel Limited		**(84.1)**	(1,043.5)
Non-controlling interests		**21.5**	15.6
		(62.6)	(1,027.9)
Total comprehensive income (loss) for the year is attributable to:			
Owners of BlueScope Steel Limited		**160.2**	(1,212.5)
Non-controlling interests		**60.9**	17.2
		221.1	(1,195.3)

	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	**(15.4)**	(234.2)
Diluted earnings per share	49	**(15.1)**	(234.2)
Earnings per share for profit (loss) attributable to the ordinary equity holders of the Company			
Basic earnings per share	49	**(15.1)**	(234.6)
Diluted earnings per share	49	**(14.8)**	(234.6)

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

BlueScope Steel Limited
Statement of financial position
As at 30 June 2013

	Notes	Consolidated 2013 $M	2012 $M
ASSETS			
Current assets			
Cash and cash equivalents	10	**513.7**	214.5
Receivables	11	**952.3**	952.9
Inventories	12	**1,363.5**	1,337.4
Derivative financial instruments	14	**0.4**	-
Intangible assets	13	**38.8**	5.6
Other	15	**64.1**	56.7
		2,932.8	2,567.1
Non-current assets classified as held for sale		**8.5**	-
Total current assets		**2,941.3**	2,567.1
Non-current assets			
Receivables	16	**145.4**	42.2
Inventories	17	**71.2**	71.6
Investments accounted for using the equity method	18	**139.1**	117.1
Property, plant and equipment	19	**3,419.6**	3,295.6
Deferred tax assets	20	**153.8**	189.0
Intangible assets	21	**457.6**	448.3
Other	22	**2.8**	2.6
Total non-current assets		**4,389.5**	4,166.4
Total assets		**7,330.8**	6,733.5
LIABILITIES			
Current liabilities			
Payables	23	**1,031.7**	1,049.1
Borrowings	24	**8.1**	144.9
Current tax liabilities	25	**8.7**	72.7
Provisions	26	**441.8**	416.2
Deferred income	27	**177.2**	117.6
Derivative financial instruments	14	**1.3**	1.7
Total current liabilities		**1,668.8**	1,802.2
Non-current liabilities			
Payables	28	**8.3**	7.5
Borrowings	29	**654.0**	453.5
Deferred tax liabilities	30	**13.7**	18.7
Provisions	31	**222.0**	236.7
Retirement benefit obligations	32	**217.0**	432.0
Deferred income	33	**86.7**	4.1
Total non-current liabilities		**1,201.7**	1,152.5
Total liabilities		**2,870.5**	2,954.7
Net assets		**4,460.3**	3,778.8
EQUITY			
Contributed equity	34	**4,650.1**	4,650.1
Reserves	35(a)	**37.5**	(267.0)
Retained profits (loss)	35(b)	**(634.7)**	(703.8)
Parent entity interest		**4,052.9**	3,679.3
Non-controlling interest		**407.4**	99.5
Total equity		**4,460.3**	3,778.8

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

Consolidated - 30 June 2013	Notes	Contributed equity $M	Reserves $M	Retained earnings $M	Non-controlling interests $M	Total $M
Balance at 1 July 2012		**4,650.1**	**(267.0)**	**(703.8)**	**99.5**	**3,778.8**
Profit (loss) for the period		-	-	(84.1)	21.5	(62.6)
Other comprehensive income (loss)		-	89.8	154.5	39.4	283.7
Total comprehensive loss for the year		**-**	**89.8**	**70.4**	**60.9**	**221.1**
Transactions with owners in their capacity as owners:						
Share-based payment expense	35(a)	-	11.5	-	-	11.5
Dividends declared		-	-	-	(3.4)	(3.4)
Transactions with non-controlling interests	43(b)	-	192.6	-	281.8	474.4
Transfer of exchange translation reserve		-	31.9	-	(31.9)	-
Controlled entity acquisition reserve	43(b)	-	(21.9)	-	-	(21.9)
Other		-	0.6	(1.3)	0.5	(0.2)
		-	214.7	(1.3)	247.0	460.4
Balance at 30 June 2013		**4,650.1**	**37.5**	**(634.7)**	**407.4**	**4,460.3**

Consolidated - 30 June 2012	Notes	Contributed equity $M	Reserves $M	Retained earnings $M	Non-controlling interests $M	Total $M
Balance at 1 July 2011		**4,073.8**	**(324.8)**	**559.8**	**87.3**	**4,396.1**
Profit (loss) for the period		-	-	(1,043.5)	15.6	(1,027.9)
Other comprehensive income (loss)		-	51.4	(220.4)	1.6	(167.4)
Total comprehensive loss for the year		**-**	**51.4**	**(1,263.9)**	**17.2**	**(1,195.3)**
Transactions with owners in their capacity as owners:						
Shares issued						
- General Employee Share Plan	34(c), 35(a)	0.2	(0.3)	-	-	(0.1)
- Share Plan Retention awards	34(c)	11.3	-	-	-	11.3
- Capital raisings	34(c)	600.0	-	-	-	600.0
Transaction costs on share issues	34(c)	(23.9)	-	-	-	(23.9)
Share-based payment expense	35(a)	-	7.0	-	-	7.0
Dividends declared		-	-	-	(5.0)	(5.0)
Treasury shares	34(e)	(11.3)	-	-	-	(11.3)
Other		-	(0.3)	0.3	-	-
		576.3	6.4	0.3	(5.0)	578.0
Balance at 30 June 2012		**4,650.1**	**(267.0)**	**(703.8)**	**99.5**	**3,778.8**

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

	Notes	Consolidated 2013 $M	2012 $M
Cash flows from operating activities			
Receipts from customers		**7,729.4**	9,032.3
Payments to suppliers and employees		**(7,493.7)**	(8,776.7)
		235.7	255.6
Associate dividends received		**3.6**	4.9
Joint venture partnership distributions received		**55.0**	78.5
Interest received		**3.5**	3.2
Other revenue		**18.6**	15.9
STP government grant	6(a)	**-**	100.0
Finance costs paid		**(91.0)**	(109.2)
Income taxes (paid) received		**(64.4)**	(81.5)
Net cash (outflow) inflow from operating activities	47	**161.0**	267.4
Cash flows from investing activities			
Payments for property, plant and equipment		**(293.2)**	(215.5)
Payments for intangibles		**(9.6)**	(14.0)
Payments for investments in joint venture partnerships		**(15.4)**	(7.0)
Payments for disposal of subsidiary	9(c)	**(38.5)**	-
Proceeds from sale of property, plant and equipment		**7.7**	11.8
Proceeds from sale of subsidiary, net of cash disposed	9(c)	**-**	140.0
Repayment of loans by related parties		**-**	5.0
Proceeds from sale of associate		**2.0**	-
Proceeds from sale of intangibles		**37.5**	-
Net cash (outflow) inflow from investing activities		**(309.5)**	(79.7)
Cash flows from financing activities			
Proceeds from issues of shares	34(c)	**-**	600.0
Capital share raising costs	34(c)	**-**	(23.9)
Proceeds from borrowings		**9,518.9**	10,720.9
Repayment of borrowings		**(9,525.0)**	(11,440.2)
Dividends paid to non-controlling interests in subsidiaries		**(3.4)**	(5.0)
Transactions with non-controlling interests	43(b)	**438.9**	-
Net cash inflow (outflow) from financing activities		**429.4**	(148.2)
Net increase (decrease) in cash and cash equivalents		**280.9**	39.5
Cash and cash equivalents at the beginning of the financial year		**212.6**	171.2
Effects of exchange rate changes on cash and cash equivalents		**19.4**	1.9
Cash and cash equivalents at end of financial year	10	**512.9**	212.6
Financing arrangements	29		
Non-cash investing and financing activities	48		

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

(ii) New and amended standards adopted by the Group
The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2012:

- AASB 112 *Amendments to Australian Accounting Standards - Deferred Tax: Recovery of Underlying Assets*
- AASB 2011-9 *Amendments to Australian Accounting Standards - Presentation of Other Comprehensive Income*

The adoption of the above standards and interpretations did not have any impact on the financial position and performance of the Group, except for minor changes to the disclosures in the financial report.

(iii) Early adoption of new Accounting Standards
The Group has not elected to early adopt any of the standards set out under '(b) new Accounting Standards and interpretations' for the current reporting period.

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

(v) Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

(b) New Accounting Standards and interpretations

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below.

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

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

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

1 Summary of significant accounting policies (continued)

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

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

(iii) AASB 124 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective from 1 July 2013)

This amendment removes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.This information will be disclosed in the Remuneration Report.

The Group will apply this amendment from 1 July 2013.

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

The AASB has issued an amended AASB 119 *Employee Benefits* which will change how the Group will account for its defined benefit pension plans in relation to the expected returns on plan assets. Fund assets will be required to produce a credit to income based on corporate and/or government bond yields irrespective of the actual composition of fund assets held. The difference between actual returns and the amount reported in the profit and loss will permanently bypass the profit and loss by being recorded as an actuarial variance. Actuarial gains and losses will continue to be recorded in other comprehensive income.These amendments will increase the 30 June 2013 defined benefit expense by $29.1M with an offsetting actuarial gain recorded in the statement of comprehensive income. The increase in expense arises because corporate and government bond yields are currently lower than the actuarial estimation of the expected return on plan assets (refer note 32).

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

The Group will apply this amendment from 1 July 2013. In accordance with Accounting Standard transition rules, the comparative period in the 30 June 2014 financial statements will be restated.

(v) AASB 10 Consolidated Financial statements (effective from 1 July 2013)

AASB 10 establishes a new control model that applies to all entities. It replaces parts of *AASB 127 Consolidated and Separate Financial Statements* dealing with the accounting for consolidated financial statements and *Interpretation 112 Consolidation - Special Purpose Entities*. The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control. A detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules has been performed. The Group does not expect the new standard to have a significant impact on the entities required to be consolidated in the financial statements.

1 Summary of significant accounting policies (continued)

(vi) AASB 11 Joint Arrangements (effective from 1 July 2013)

AASB 11 replaces *AASB 131 Interests in Joint Ventures* and *Interpretation 113 Jointly Controlled Entities - Non-monetary Contributions by Venturers.* AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition, AASB 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

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

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

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

(viii) AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met. The Group does not expect any material change in the disclosures in the financial statements as a result of this amendment.

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

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

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

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

The following items are addressed by this standard:

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

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

1 Summary of significant accounting policies (continued)

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

- AASB *Interpretation 20 Stripping costs in the Production Phase of a Surface Mine (effective from 1 July 2013)*
- AASB 2012-3 *Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities (effective from 1 July 2014)*
- AASB 2012-4 *Amendments to Australian Accounting Standards - Government Loans (effective from 1 July 2013)*
- AASB 2012-5 *Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle (effective from 1 July 2013)*
- AASB 2012-9 *Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039 (effective from 1 July 2013)*

(c) Parent entity financial information

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

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

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

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

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

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

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

(d) Principles of consolidation

(i) Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('Company' or 'parent entity') as at 30 June 2013 and the results of all subsidiaries for the year then ended. BlueScope Steel Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(e) Segment reporting

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

(f) Foreign currency translation

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

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

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

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

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

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

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

(g) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

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

1 Summary of significant accounting policies (continued)

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

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

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

(h) Government grants

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

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

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

(i) Leases

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

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

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

1 Summary of significant accounting policies (continued)

(j) Business combinations

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

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

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

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

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

(k) Impairment of assets

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

Refer to note 3 for impairment testing methodology and key assumptions.

Refer to notes 19 and 21 for a detailed allocation of goodwill and intangible assets with indefinite useful lives to cash generating units (CGUs) and impairment losses and reversals recognised in the current period.

(l) Cash and cash equivalents

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

(m) Trade receivables

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

1 Summary of significant accounting policies (continued)

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

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

(n) Income tax and other taxes

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

(o) Inventories

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

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

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

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

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

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

(q) Investments and other financial assets

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

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

1 Summary of significant accounting policies (continued)

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (notes 11 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. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

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

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

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

Details on how the fair value of financial instruments is determined are disclosed in note 37.

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

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

(r) Derivatives and hedging activities

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

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

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

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholder's 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 hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

(s) Property, plant and equipment

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

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

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

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

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

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

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

(t) Intangible assets

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

1 Summary of significant accounting policies (continued)

Goodwill is allocated to cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose (note 21).

(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(j)). Amortisation is calculated on a straight-line basis generally ranging from 10 to 20 years.

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

(u) Trade and other payables

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

1 Summary of significant accounting policies (continued)

(v) Borrowings

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

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

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

(w) Borrowing costs

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

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

(x) Provisions

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

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

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

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

(y) Employee benefits

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

1 Summary of significant accounting policies (continued)

(ii) Other long-term employee benefit obligations
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on a blend of State and Commonwealth Government bonds within Australia (2012: Commonwealth Government bonds) and Government bonds in New Zealand, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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

Expected future payments are discounted using market yields at the end of the reporting period on government or corporate bonds where a deep market exists, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows (refer to note 32).

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

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

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

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

(iv) Share-based payments
The Group provides benefits in the form of share-based payment transactions to employees. Information relating to these schemes is set out in note 50 and the 30 June 2013 Remuneration Report.

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

- *General Employee Share Plans (GESP)*

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

- *Long Term Incentive Plans (LTIP)*

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

1 Summary of significant accounting policies (continued)

- *Special share grants and rights*

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

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

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

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

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

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

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

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

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

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

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

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

(z) Contributed equity

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

1 Summary of significant accounting policies (continued)

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

(aa) Dividends

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

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

(ab) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:
- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:
- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ac) Restructuring costs

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

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

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

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

(ad) Carbon Pricing Schemes

The Group is a participant in the New Zealand Government's uncapped Emissions Trading Scheme (ETS) which was implemented with effect from 1 July 2010. The Australian Carbon Pricing Mechanism (CPM) commenced on 1 July 2012 with the intention to move to a cap and trade ETS from 1 July 2015. There are currently no other countries in which the Group operates where an emissions trading scheme would require the Group to be a participant.

The Carbon Pricing Schemes (CPS) require the Company to annually obtain and surrender emission units to cover the Group's direct greenhouse gas emissions for our facilities in Australia and New Zealand (scope 1 emissions). Permits are able to be sold or can be held to offset obligations accruing under the CPS.

The Australian and New Zealand Governments have enacted programs to allocate some permits to emissions-intensive trade exposed activities, including integrated iron and steel making.

1 Summary of significant accounting policies (continued)

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

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

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

(ae) Rounding of amounts

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

2 Corporate information

The financial report of BlueScope Steel Limited for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 19 August 2013.

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

The nature of the operations and principal activities of the Group are described in note 4 and the Directors' Report.

3 Critical accounting estimates and judgements

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

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

(i) Estimated impairment of cash generating units (CGUs), including goodwill
The Group tests property, plant and equipment and intangible assets with definite useful lives when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment or reversal of a previous impairment loss in accordance with the accounting policy stated in note 1(t). All CGUs were tested for impairment at the reporting date. The recoverable amounts of CGUs have been determined based on the key assumptions listed below.

3 Critical accounting estimates and judgements (continued)

Key assumptions

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

The carrying amounts of property, plant and equipment as set out in note 19 and intangible assets as set out in note 21 are subject to major estimation uncertainty, in the form of the key operating assumptions used to estimate the future cash flows and discount rates. The nature and basis for the key assumptions used for impairment testing are outlined below.

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

The key operating assumptions and their basis of estimation are:

- Raw material costs are based on commodity price forecasts derived from a range of external global commodity forecasters.

- Selling prices are management forecasts, taking into account commodity steel price forecasts derived from a range of external global commodity forecasters.

- Sales volumes are management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.

- The strength of the Australian dollar relative to the US dollar is based on forecasts derived from a range of external banks. This assumption is relevant as foreign currency exchange rates, in particular the Australian dollar relative to the US dollar, impacts the competitiveness of domestically manufactured product relative to imported product.

Growth rate
The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2012: 2.5%). The growth rate represents a steady indexation rate which does not exceed the Company's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rate
The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. The post-tax discount rates range from 8.7% to 10.0% (2012: 9.4% to 10.8%).

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

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

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

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

3 Critical accounting estimates and judgements (continued)

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

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

The Australian Government has also provided a Steel Transformation Plan (STP) to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy. The STP will provide $300M of funding to the Australian steel industry over a four-year period for eligible expenditure on innovation, investment and production. The Group expects to receive 61% of this funding, of which a $100M advance was received in January 2012 and expects to receive the remaining $83M in FY15 and FY16.

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

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

Sensitivity of carrying amounts

The carrying value of property,plant and equipment of the Group is most sensitive to cash forecasts for the Group’s largest CGU, Coated & Industrial Products Australia (CIPA) which are determined taking into account the key assumptions set out above. The property, plant and equipment of this CGU was impaired by $136M during the year ended 30 June 2012.

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

(ii) Income taxes

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

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

(iii) Workers compensation

Calculations for the Group's self-insured workers compensation are determined by external actuaries. These calculations require assumptions in relation to the expectation of future events. Refer to notes 26 and 31 for amounts recognised for workers compensation.

3 Critical accounting estimates and judgements (continued)

(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 26 and 31 for amounts recognised for product claims.

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

(vi) Defined benefit plans
Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 32.

(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 26 and 31 for amounts recognised for restructuring and redundancy provisions.

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

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

Recognising restoration, remediation and rehabilitation provisions across the Group requires assumptions to be made as to the application of environmental legislation, site closure dates, available technologies and engineering cost estimates. These uncertainties may result in future actual expenditure differing from the amounts currently provided. When reliable estimates of any remediation work required to be performed are possible and remediation techniques are identified for those sites subject to ongoing environmental review and monitoring, provisions will be established in accordance with the Group’s accounting policy (refer notes 26 and 31).

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

4 Segment information

(a) Description of segments

In March 2012, the Company announced a reorganisation to its business structure to focus on growth in the global engineered building solutions market and building products market to take effect on 1 July 2012. As a result, the Company's external reporting segments have changed in respect of the year ending 30 June 2013. Comparatives for June 2012 have been restated.

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

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

Building Components & Distribution Australia
Building Components & Distribution Australia 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.

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

Global Building Solutions
The Global Building Solutions segment is a leading global supplier of engineered building solutions to industrial and commercial markets. It comprises the Company's engineered buildings solutions businesses in North America, China, Indonesia, Malaysia, Thailand, Vietnam and Australia, and metal coating, painting and Lysaght businesses in China.

Building Products ASEAN, North America & India
Building Products ASEAN and North America operate metallic coating and painting lines and LYSAGHT® roll-forming facilities in Indonesia, Malaysia, Thailand, Vietnam and North America, primarily servicing the building and construction industries. BlueScope Steel's operations also includes LYSAGHT® roll-forming facilities in Singapore and Brunei. These businesses comprise the NS BlueScope Coated joint venture, a 50/50 joint venture with Nippon Steel and Sumitomo Metal Corporation which BlueScope controls and therefore consolidates in the Group financial statements.

This segment also includes Tata BlueScope Steel, a 50/50 joint venture with Tata Steel, with operations in India that include a recently established metal coating and painting line, LYSAGHT® roll-forming operations and a BUTLER® manufacturing and engineering facility. Tata BlueScope Steel's operations also includes a LYSAGHT® roll-forming facility in Sri Lanka. These businesses are jointly controlled and are therefore equity accounted in the Group financial statements.

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. These businesses are jointly controlled and are therefore equity accounted in the Group financial statements.

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.

4 Segment information (continued)

(b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the reportable segments for the year ended 30 June 2013 is as follows:

30 June 2013	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	3,349.4	1,375.6	681.0	1,363.3	1,635.5	-	-	8,404.8
Intersegment revenue	(897.1)	(32.9)	(111.0)	(4.7)	(84.9)	-	-	(1,130.6)
Revenue from external customers	**2,452.3**	**1,342.7**	**570.0**	**1,358.6**	**1,550.6**	**-**	**-**	**7,274.2**
Segment EBIT	**(44.9)**	**(30.4)**	**42.5**	**18.4**	**70.5**	**66.7**	**(0.4)**	**122.4**
Depreciation and amortisation	170.7	17.3	47.0	32.8	47.7	-	-	315.5
Impairment of non-current assets	-	-	-	0.5	-	2.1	-	2.6
Share of profit (loss) from associates and joint venture partnerships	-	-	2.4	0.4	(13.3)	69.6	-	59.1
Total segment assets	**3,097.9**	**571.8**	**717.0**	**1,100.6**	**1,218.1**	**95.3**	**0.2**	**6,800.9**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	7.1	3.7	33.3	95.0	-	139.1
Additions to non-current assets (other than financial assets and deferred tax)	145.4	10.9	84.6	67.7	31.2	-	-	339.8
Total segment liabilities	**1,030.3**	**249.3**	**250.2**	**504.2**	**282.1**	**-**	**4.2**	**2,320.3**

30 June 2012	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	4,279.6	1,486.2	755.0	1,446.3	1,643.7	-	164.1	9,774.9
Intersegment revenue	(897.7)	(33.4)	(125.9)	(3.9)	(96.3)	-	(15.0)	(1,172.2)
Revenue from external customers	**3,381.9**	**1,452.8**	**629.1**	**1,442.4**	**1,547.4**	**-**	**149.1**	**8,602.7**
Segment EBIT	**(725.8)**	**(227.3)**	**64.7**	**(6.4)**	**51.3**	**62.2**	**38.5**	**(742.8)**
Depreciation and amortisation	176.8	18.6	44.6	33.7	46.9	-	7.6	328.2
Impairment of non-current assets	136.0	168.6	-	13.9	-	1.4	-	319.9
Share of profit (loss) from associates and joint venture partnerships	-	-	3.1	0.5	(14.3)	63.9	-	53.2
Total segment assets	**3,037.4**	**598.6**	**647.0**	**960.0**	**1,104.9**	**72.9**	**0.2**	**6,421.0**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	6.8	3.8	33.9	72.6	-	117.1
Additions to non-current assets (other than financial assets and deferred tax)	116.6	6.0	82.1	31.1	36.4	-	2.9	275.1
Total segment liabilities	**1,034.0**	**269.8**	**350.8**	**450.1**	**234.6**	**-**	**3.9**	**2,343.2**

4 Segment information (continued)

(c) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2013 $M	2012 $M	**2013 $M**	2012 $M
Australia	**3,454.2**	3,924.0	**2,348.6**	2,275.2
New Zealand	**312.7**	407.1	**469.1**	412.8
Asia	**1,704.0**	1,934.4	**716.0**	651.2
North America	**1,331.8**	1,760.2	**669.9**	613.7
Other	**471.5**	577.0	**10.9**	3.3
	7,274.2	8,602.7	**4,214.5**	3,956.2

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

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

(d) Other segment information

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

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

		Consolidated	
	Notes	**2013 $M**	2012 $M
Total segment revenue		**8,404.8**	9,774.9
Intersegment eliminations		**(1,130.6)**	(1,172.2)
Revenue attributable to discontinued operations		**-**	(149.1)
Other revenue	5	**16.1**	18.6
Total revenue from continuing operations		**7,290.3**	8,472.2

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

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

	Consolidated	
	2013 $M	2012 $M
Total segment EBIT	**122.4**	(742.8)
Intersegment eliminations	**(5.9)**	3.3
Interest income	**3.6**	3.1
Finance costs	**(82.9)**	(120.4)
EBIT (gain) loss attributable to discontinued operations	**0.4**	(38.5)
Corporate operations	**(64.8)**	(80.8)
Profit (loss) before income tax from continuing operations	**(27.2)**	(976.1)

4 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 performance is measured based on EBIT, tax assets, which by their nature do not contribute towards EBIT, are not allocated to operating segments.

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2013 **$M**	2012 $M
Segment assets	**6,800.9**	6,421.0
Intersegment eliminations	**(187.4)**	(136.0)
Unallocated:		
Deferred tax assets	**153.8**	189.0
Cash	**513.7**	214.5
Corporate operations	**9.2**	16.9
Tax receivables	**40.6**	28.1
Total assets as per the statement of financial position	**7,330.8**	6,733.5

(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 performance is measured based 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	
	2013 **$M**	2012 $M
Segment liabilities	**2,320.3**	2,343.2
Intersegment eliminations	**(172.4)**	(126.9)
Unallocated:		
Current borrowings	**8.1**	144.9
Non-current borrowings	**654.0**	453.5
Current tax liabilities	**8.7**	72.7
Deferred tax liabilities	**13.7**	18.7
Accrued borrowing costs payable	**5.0**	11.2
Corporate operations	**33.1**	37.4
Total liabilities as per the statement of financial position	**2,870.5**	2,954.7

5 Revenue

	Notes	Consolidated 2013 $M	2012 $M
Revenue from operating activities			
Sales revenue			
Sale of goods		**7,252.2**	8,428.4
Services		**22.0**	25.2
Total sales revenue		**7,274.2**	8,453.6
Other revenue			
Interest external		**3.6**	2.9
Interest related parties	42(d)	**-**	0.2
Royalties external		**0.8**	1.6
Rental external		**6.4**	5.3
Other		**5.3**	8.6
Total other revenue		**16.1**	18.6
Total revenue from ordinary activities		**7,290.3**	8,472.2
From discontinued operations			
Sales revenue		**-**	164.1
Intersegment eliminations		**-**	(15.0)
Total revenue from discontinued operations	9	**-**	149.1

6 Other income

	Notes	Consolidated 2013 $M	2012 $M
STP government grant (a)		**-**	100.0
Carbon permit income (b)	1(ad)	**153.9**	12.8
Government grant - other		**4.8**	0.2
Net gain on sale of non-current assets (c)		**37.6**	0.3
Insurance recoveries		**0.6**	-
Foreign exchange gains (net)	7	**0.9**	-
Litigation settlement		**0.6**	0.1
		198.4	113.4

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

(b) Carbon permit income
Carbon permit income arises from Carbon Pricing Scheme (CPS) permits granted by the New Zealand and Australian governments. The increase in CPS permit income is due to the commencement of the Australian Carbon Pricing Mechanism from 1 July 2012.

6 Other income (continued)

(c) Net gain on sale of non-current assets

Net gain on sale of non-current assets includes a $37.5M profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

7 Expenses

	Notes	Consolidated 2013 $M	2012 $M
Loss before income tax includes the following specific expenses for continuing operations:			
Depreciation and amortisation			
Depreciation	19	**287.6**	295.1
Amortisation	21	**28.0**	28.2
Total depreciation and amortisation		**315.6**	323.3
Impairment losses - financial assets			
Loans and receivables			
- trade receivables		**12.7**	9.8
- reversal of impairment loss		**(1.5)**	(3.5)
Total impairment of financial assets	11(b)	**11.2**	6.3
Impairment of non-current assets			
BlueScope Distribution goodwill	21	**-**	156.8
Coated & Industrial Products Australia PP&E	19	**-**	136.0
Lysaght Australia goodwill	21	**-**	10.0
BlueScope Water Australia goodwill	21	**-**	7.5
BlueScope Buildings North America impairments	19	**-**	3.5
Distribution Australia & BlueScope Water Australia PP&E and other intangibles	19	**-**	4.7
Castrip joint venture	46(d)	**2.1**	1.4
BlueScope Water Solutions PP&E	19	**0.5**	-
Total impairment of non-current assets		**2.6**	319.9
Finance costs			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		**54.9**	88.9
Ancillary finance charges		**23.3**	26.1
Provisions: unwinding of discount	31	**5.1**	6.4
		83.3	121.4
Amount capitalised (a)		**(0.4)**	(1.0)
Finance costs expensed		**82.9**	120.4

7 Expenses (continued)

	Notes	Consolidated 2013 $M	2012 $M
Net foreign exchange losses		**-**	7.5
Rental expense relating to operating leases		**88.8**	101.6
Defined contribution superannuation expense		**72.0**	78.1
Research and development expense		**25.6**	26.0
Net restructure provision expense (b)	31	**3.6**	403.6
Employee redundancy provision expense		**21.1**	11.4
Direct carbon emission expense (c)		**138.8**	0.3
Workers compensation insurance recoveries (d)		**(36.6)**	-

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is 3.60% (2012: 6.97%).

(b) Restructuring costs

The prior year restructuring costs includes $365.7M for incurred and estimated future costs arising from the closure of the No. 6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced to the market on 22 August 2011.

(c) Direct carbon emission expense

The $138.8M (2012: $0.3M) direct carbon emission expense (scope 1 direct emissions) excludes coal and gas purchases emission expense for our New Zealand Steel operation. New Zealand Steel's coal and gas direct emission expense are recorded within raw material and utility costs as these costs are passed through by our suppliers. The Carbon Pricing Schemes in Australia (effective 1 July 2012) and New Zealand increase the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions). The Scope 2 and Scope 3 carbon costs are not included in the direct carbon emission expense.

(d) Workers compensation insurance recoveries

In December 2012, $36.6M in workers compensation insurance recoveries was recognised in earnings.

8 Income tax expense

(a) Income tax expense (benefit)

	Notes	Consolidated 2013 $M	Consolidated 2012 $M
Current tax		**50.2**	105.0
Deferred tax		**(1.3)**	(19.1)
Adjustments for current tax of prior periods		**(13.9)**	4.8
		35.0	90.7
Income tax expense (benefit) is attributable to:			
Profit (loss) from continuing operations		**37.1**	50.2
Profit (loss) from discontinued operations		**(2.1)**	40.5
Aggregate income tax expense		**35.0**	90.7
Deferred income tax (benefit) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	20	**(3.3)**	2.6
(Decrease) increase in deferred tax liabilities	30	**1.9**	(22.4)
Investments in subsidiaries	35	**0.1**	0.7
		(1.3)	(19.1)

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

	Notes	Consolidated 2013 $M	Consolidated 2012 $M
Profit (loss) from continuing operations before income tax expense		**(27.2)**	(976.1)
Profit (loss) from discontinuing operations before income tax expense	9	**(0.4)**	38.9
		(27.6)	(937.2)
Tax at the Australian tax rate of 30.0% (2012 - 30.0%)		**(8.3)**	(281.2)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Depreciation and amortisation		**0.5**	0.6
Manufacturing credits		**(1.9)**	(2.6)
Research and development incentive		**(5.9)**	(7.3)
Withholding tax		**0.9**	3.3
Non-taxable (gains) losses		**(7.2)**	(5.1)
Disposal of subsidiary		**-**	25.6
Goodwill impairment		**-**	52.3
Share of net profits (losses) of associates		**3.3**	3.5
Entertainment		**1.0**	1.1
Share-based payments		**2.0**	2.4
Sundry items		**4.6**	5.0
		(11.0)	(202.4)
Difference in overseas tax rates		**(5.1)**	(5.2)
Adjustments for current tax of prior periods		**(13.9)**	4.8
Temporary differences and tax losses not recognised		**81.3**	312.3
Previously unrecognised tax losses and temporary differences now recognised		**-**	(15.3)
Previously unrecognised tax losses now recouped to reduce current tax expense		**(16.3)**	(4.7)
Previously recognised tax losses now derecognised		**-**	1.2
Income tax expense (benefit)		**35.0**	90.7

8 Income tax expense (continued)

(c) Amounts recognised directly in equity

	Consolidated	
	2013	2012
	$M	$M
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss or other comprehensive income but directly debited (credited) to equity	**-**	-

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

	Notes	2013	2012
Cash flow hedges	35(a)	**(0.4)**	-
Actuarial gain/(loss) on defined benefit superannuation plans	35(b)	**41.3**	(58.3)
Net (gain) loss on hedges of net investments in subsidiaries	35(a)	**(0.1)**	(0.7)
Partial disposal of subsidiaries	35(a)	**(8.3)**	-
Total income tax expense (benefit) on items of other comprehensive income		**32.5**	(59.0)

(e) Tax losses

	2013	2012
Unused tax losses for which no deferred tax asset has been recognised	**1,922.9**	1,013.5
Potential tax benefit	**569.6**	295.1

As at 30 June 2013, $55.8M (2012:$296.0M) of Australian deferred tax assets generated during the period have been impaired with a $16.7M offsetting credit (2012: $27.7M debit) of this amount recognised directly against retained earnings due to actuarial gains from the Australian Defined Benefit Superannuation Plan. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

The Group also has unrecognised tax losses arising in Vietnam of $2.6M (2012: $7.2M) and China of $79.2M (2012: $92.1M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax group in which they are generated.

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

In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. This amount has been recorded as a non-current tax receivable.

(f) Unrecognised temporary differences

	Consolidated	
	2013	2012
	$M	$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	**241.4**	186.9
Unrecognised deferred tax liabilities relating to the above temporary differences	**37.3**	24.5

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.

8 Income tax expense (continued)

Unrecognised deferred tax assets for the Group totalling $149.0M (2012: $159.2M) have not been recognised as they are not probable of realisation.

9 Discontinued operations

(a) Description

On 22 June 2012, the Group sold Metl-Span, its North American insulated metal panels business, to NCI Group Inc.

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

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

(b) Financial performance of discontinued operations

The results of discontinued operations are presented below.

	Consolidated					
	2013			2012		
	Metl-Span $M	**Lysaght Taiwan $M**	**Total $M**	**Metl-Span $M**	**Lysaght Taiwan $M**	**Total $M**
Revenue	**-**	**-**	**-**	149.1	-	149.1
Other income	**-**	**-**	**-**	29.4	-	29.4
Depreciation and amortisation	**-**	**-**	**-**	(7.6)	-	(7.6)
Other expenses excluding finance costs	**(0.3)**	**(0.1)**	**(0.4)**	(131.6)	(0.4)	(132.0)
Profit (loss) before income tax (i)	**(0.3)**	**(0.1)**	**(0.4)**	39.3	(0.4)	38.9
Income tax (expense) benefit (i)	**2.1**	**-**	**2.1**	(40.4)	(0.1)	(40.5)
Profit (loss) after income tax from discontinued operations	**1.8**	**(0.1)**	**1.7**	(1.1)	(0.5)	(1.6)

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

9 Discontinued operations (continued)

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

	2013 $M	2012 $M
Cash consideration received	**-**	146.2
Consideration receivable	**(0.3)**	0.4
Selling expenses	**-**	(6.2)
Net disposal consideration	**(0.3)**	140.4
Carrying amount of net assets sold	**-**	(99.9)
Exchange loss transferred from foreign currency translation reserve	**-**	(11.1)
Gain (loss) on sale before income tax	**(0.3)**	29.4
Income tax expense (benefit)	**(2.1)**	37.2
Gain (loss) on sale after income tax	**1.8**	(7.8)

(c) Cash flow information - discontinued operations

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

	Consolidated					
	2013			2012		
	Metl-Span $M	**Lysaght Taiwan $M**	**Total $M**	**Metl-Span $M**	**Lysaght Taiwan $M**	**Total $M**
Net cash inflow (outflow) from operating activities	**(0.1)**	**(0.1)**	**(0.2)**	14.5	(0.6)	13.9
Net cash inflow (outflow) from investing activities (i)	**(38.5)**	**-**	**(38.5)**	137.0	-	137.0
Net cash inflow (outflow) from financing activities	**-**	**-**	**-**	-	-	-
Net increase in cash generated by the operation	**(38.6)**	**(0.1)**	**(38.7)**	151.5	(0.6)	150.9

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

	2013 $M	2012 $M
Cash consideration received	**-**	146.2
Selling expenses paid	**(4.6)**	(1.5)
Taxes paid	**(33.9)**	-
Net cash received	**(38.5)**	144.7
Net cash disposed	**-**	(4.7)
Investing cash inflow/(outflow)	**(38.5)**	140.0

10 Current assets - Cash and cash equivalents

	Consolidated	
	2013 **$M**	2012 $M
Cash at bank and on hand	**511.0**	212.1
Deposits at call	**2.7**	2.4
	513.7	214.5

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

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

	Notes	Consolidated	
		2013 **$M**	2012 $M
Balances as above		**513.7**	214.5
Bank overdrafts	24	**(0.8)**	(1.9)
Balances per statement of cash flows		**512.9**	212.6

(b) Risk exposure

The Group's exposure to interest rate and credit risk is discussed in note 37.The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents.

11 Current assets - Receivables

	Notes	Consolidated	
		2013 **$M**	2012 $M
Trade receivables (a) (c) (d)		**903.9**	908.4
Provision for impairment of receivables (b)		**(21.8)**	(15.1)
		882.1	893.3
Loans to related parties - associates	42(e)	**1.2**	1.1
Tax receivables		**19.4**	6.9
Other receivables		**49.6**	51.6
		952.3	952.9

(a) Trade receivables

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

11 Current assets - Receivables (continued)

(b) Provision for impairment of receivables

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

	Consolidated	
	2013	2012
	$M	$M
Opening balance	**15.1**	21.0
Additional provision recognised	**12.7**	9.8
Amounts used during the period	**(5.3)**	(11.4)
Unutilised provision written back	**(1.5)**	(3.5)
Disposal of subsidiary	**-**	(0.1)
Exchange fluctuations	**0.8**	(0.7)
	21.8	15.1

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

(c) Past due but not impaired

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

	Consolidated	
	2013	2012
	$M	$M
Within 30 days	**142.0**	158.8
31 to 60 days	**39.0**	29.2
61 to 90 days	**6.6**	7.1
Over 90 days	**25.2**	15.2
	212.8	210.3

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 11(b) and 16(a) for impairment losses recognised during the period.

The Group's exposure to credit risk is mitigated by the diversification of customers and geography and therefore the risk of loss is considered minimal.

11 Current assets - Receivables (continued)

(d) Transferred financial assets which remain recognised

On 22 August 2011, BlueScope Distribution entered into a sale of receivables securitisation program on a recourse basis. The Company acts as a servicer under the program and continues to collect cash from its customers and is able to repurchase a receivable by paying the outstanding amount of that receivable.

The receivables securitisation program does not qualify for derecognition as per AASB 139 *Financial Instruments: Recognition and measurement* as the Company has retained the credit risk associated with the trade receivables, by repurchase, and therefore the risks and rewards of the securitisation asset resides with the Group. As a result, the Group continues to recognise the trade receivables and has recognised a current borrowing for the consideration received for the transferred asset. The carrying amount of the trade receivables is $142.5M (2012: $148.6M) and the associated borrowing is $Nil as it is undrawn at 30 June 2013 (2012: $131.0M).

(e) Risk exposure

Information concerning fair values and credit risk of both current and non-current receivables is set out in note 37 .

12 Current assets - Inventories

	Consolidated	
	2013	2012
	$M	$M
Raw materials and stores		
-at cost and net realisable value	**233.6**	258.1
Work in progress		
-at cost and net realisable value	**526.8**	531.9
Finished goods		
-at cost and net realisable value	**520.9**	466.2
Spares and other		
-at cost	**80.0**	80.1
Emission unit permits - held for trading		
- at cost	**2.2**	1.1
Total current inventories	**1,363.5**	1,337.4

(a) Inventory expense

Current and non-current inventories recognised as an expense during the year ended 30 June 2013 amounted to $4,262.4M (2012: $5,527.1M) for the Group.

Write-downs of inventories to net realisable value recognised as an expense at 30 June 2013 amounted to $41.4M (2012: $45.3M) for the Group. The expense has been included in ‘raw materials and consumables used’ in the profit or loss.

(b) Emission unit permits (EUs)

The Group is a participant in the Australian and New Zealand Government's Carbon Pricing Schemes. In accordance with the Group's accounting policy on accounting for emission trading schemes (note 1(ad)) EUs held for trading in the ordinary course of business are classified as inventory and are held at the lower of cost and fair value less cost to sell.

13 Current assets - Intangible assets

	Consolidated	
	2013	2012
	$M	$M
Emission unit permits - not held for trading	**38.8**	5.6

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

14 Derivative financial instruments

	Consolidated	
	2013	2012
	$M	$M
Current assets		
Forward foreign exchange contracts - cash flow hedges (a) (i)	**0.4**	-
Total current derivative financial instrument assets	**0.4**	-
Current liabilities		
Forward foreign exchange contracts - cash flow hedges (a) (i)	**0.5**	1.7
Forward electricity contracts - cash flow hedges (a) (ii)	**0.8**	-
Total current derivative financial instrument liabilities	**1.3**	1.7
	(0.9)	(1.7)

(a) Instruments used by the Group

(i) Forward foreign exchange contracts
As at 30 June 2013, a $0.5M (2012: $1.7M) derivative liability and $0.4M derivative asset (2012: $Nil) has been recorded in relation to the fair value of outstanding forward foreign exchange contracts relating to foreign currency sales and purchases (refer to note 37).

(ii) Forward exchange contracts - electricity cash flow hedges
The Group is party to derivative financial instruments in accordance with the Group's financial risk management policy (note 37) as a means of hedging exposure to electricity price fluctuations within New Zealand's steel making business. The derivative contract, representing a financial liability at fair value of $0.8M was undertaken in October 2012 and matures in December 2013 (2012: $Nil).

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. Upon maturity, the cumulative loss deferred in equity is adjusted against the initial amount recognised for electricity, which forms a component of inventory cost recognised in the statement of financial position (refer to note 35).

(b) Risk exposures

The Group generally does not enter into significant derivative hedging or other transactions involving market sensitive instruments. Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 37.

15 Current assets - Other

	Consolidated	
	2013	2012
	$M	$M
Deferred charges and prepayments	**64.1**	56.7

16 Non-current assets - Receivables

		Consolidated	
		2013	2012
	Notes	**$M**	$M
STP government grant	33	**83.0**	-
Tax receivable	8(e)	**21.2**	21.2
Workers compensation receivables	26(d)	**41.2**	21.0
		145.4	42.2

(a) Impaired receivables and receivables past due

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

(b) Fair values

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

(c) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 37.

17 Non-current assets - Inventories

	Consolidated	
	2013	2012
	$M	$M
Spares and other		
- at cost	**71.2**	71.6

For detail of inventory expense recognised during the period refer to note 12.

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

		Consolidated	
		2013	2012
	Notes	**$M**	$M
Investment in associates	45	**12.3**	13.1
Interest in joint venture partnerships	46	**126.8**	104.0
		139.1	117.1

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

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

19 Non-current assets - Property, plant and equipment

	Land and buildings $M	Plant, machinery and equipment $M	Total $M
At 1 July 2011			
Cost	1,187.0	8,752.4	9,939.4
Accumulated depreciation and impairment	(555.6)	(5,883.2)	(6,438.8)
Net book amount	631.4	2,869.2	3,500.6
Year ended 30 June 2012			
Opening net book amount	631.4	2,869.2	3,500.6
Additions	17.7	229.3	247.0
Depreciation charge	(30.4)	(268.9)	(299.3)
Disposal of subsidiary	(10.2)	(27.1)	(37.3)
Disposals	(4.4)	(7.1)	(11.5)
Asset reclassifications within class	(26.7)	26.7	-
Asset reclassifications to computer software	-	(14.3)	(14.3)
Impairment (loss) write-back	(0.9)	(143.0)	(143.9)
Exchange variations/other	20.2	34.1	54.3
Closing net book amount	596.7	2,698.9	3,295.6
At 30 June 2012			
Cost	1,155.5	8,932.1	10,087.6
Accumulated depreciation and impairment	(558.8)	(6,233.2)	(6,792.0)
Net book amount	596.7	2,698.9	3,295.6

	Land and Buildings $M	Plant, machinery and equipment $M	Total $M
Year ended 30 June 2013			
Opening net book amount	596.7	2,698.9	3,295.6
Additions	43.9	282.3	326.2
Depreciation charge	(26.4)	(261.2)	(287.6)
Disposals	(3.0)	(8.6)	(11.6)
Asset reclassifications within class	4.1	(4.1)	-
Asset reclassifications to computer software	-	(2.4)	(2.4)
Assets classified as held for sale	-	(8.5)	(8.5)
Impairment (loss) write-back	-	(0.5)	(0.5)
Exchange variations/other	37.0	71.4	108.4
Closing net book amount	652.3	2,767.3	3,419.6
At 30 June 2013			
Cost	1,255.8	9,299.0	10,554.8
Accumulated depreciation and impairment	(603.5)	(6,531.7)	(7,135.2)
Net book amount	652.3	2,767.3	3,419.6

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

(a) Assets in the course of construction

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

	Consolidated	
	2013	2012
	$M	$M
Land and buildings	**46.2**	0.2
Plant, machinery and equipment	**204.6**	150.8
Total assets in the course of construction	**250.8**	151.0

(b) Leased assets

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

	Consolidated	
	2013	2012
	$M	$M
Leasehold assets		
Cost	**184.8**	144.8
Accumulation depreciation	**(28.9)**	(17.8)
Net book amount	**155.9**	127.0

(c) Non-current assets pledged as security

Refer to note 29(a) for information on non-current assets pledged as security by the Group.

(d) Current period impairment charges

The Group tests for impairment and measures recoverable amount based on the testing methodology and assumptions outlined in note 3. Impairment losses are included in the line item ‘impairment of non-current assets’ in the profit or loss.

As at 30 June 2013, BlueScope Water Solutions impaired property, plant and equipment of $0.5M as part of business restructuring.

(e) Prior period impairment charges

(i) Coated and Industrial Products Australia (CIPA)
At 30 June 2012, a total of $136.0M of property, plant and equipment impairments were recorded against CIPA assets as a result of a slower than previously expected recovery in Australian domestic demand, and an increase in the discount rate being been applied to expected future cash flows due to increased volatility in equity markets.

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

(iii) Global Building Solutions & Building Components & Distribution Australia
Property, plant and equipment totalling $4.4M was impaired as a result of business restructuring in BlueScope Distribution, Buildings Australia, and BlueScope Water.

20 Non-current assets - Deferred tax assets

	Notes	Consolidated 2013 $M	2012 $M
The balance comprises temporary differences attributable to:			
Doubtful debts provision		**4.1**	2.1
Employee benefits provision		**123.1**	145.0
Other provisions		**43.8**	55.3
Depreciation		**(176.6)**	(316.6)
Foreign exchange (gains) losses		**(95.1)**	(85.1)
Investments		**(8.1)**	(7.9)
Share capital raising costs		**4.3**	6.5
Inventory		**(31.5)**	(7.4)
Tax losses		**283.2**	402.0
Other		**6.6**	(4.9)
		153.8	189.0
Movements:			
Opening balance at 1 July		**189.0**	160.8
Credited (charged) to profit or loss	8	**3.3**	(2.6)
Credited (charged) to other comprehensive income		**(32.5)**	35.1
Transfer to current receivables		**(12.4)**	(6.9)
Foreign exchange differences		**6.4**	2.6
Closing balance at 30 June		**153.8**	189.0

The Australian consolidated tax group has recognised a $84.6M deferred tax asset at 30 June 2013 (30 June 2012: $84.6M). The Australian consolidated tax group has incurred taxable losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

21 Non-current assets - Intangible assets

Consolidated	**Goodwill $M**	**Patents, trademarks and other rights $M**	**Computer software $M**	**Customer relationships $M**	**Other intangible assets $M**	**Total $M**
At 1 July 2011						
Cost	751.9	24.0	210.7	101.2	6.7	1,094.5
Accumulation amortisation and impairment	(261.1)	(13.5)	(121.2)	(36.4)	(1.6)	(433.8)
Net book amount	490.8	10.5	89.5	64.8	5.1	660.7
Year 30 June 2012						
Opening net book amount	490.8	10.5	89.5	64.8	5.1	660.7
Exchange differences	17.5	0.6	1.5	3.4	0.3	23.3
Controlled entity disposals	(49.8)	(2.1)	(0.5)	(5.1)	(0.3)	(57.8)
Additions	-	-	13.9	-	0.1	14.0
Impairment	(174.3)	-	(0.1)	-	(0.2)	(174.6)
Amortisation charge	-	(0.8)	(22.9)	(7.5)	(0.4)	(31.6)
Reclassifications from PP&E	-	-	14.3	-	-	14.3
Closing net book amount	284.2	8.2	95.7	55.6	4.6	448.3
At 30 June 2012						
Cost	720.0	23.2	240.8	84.8	6.3	1,075.1
Accumulation amortisation and impairment	(435.8)	(15.0)	(145.1)	(29.2)	(1.7)	(626.8)
Net book amount	284.2	8.2	95.7	55.6	4.6	448.3

Consolidated	**Goodwill $M**	**Patents, trademarks and other rights $M**	**Computer Software $M**	**Customer relationships $M**	**Other intangible assets $M**	**Total $M**
Year 30 June 2013						
Opening net book amount	284.2	8.2	95.7	55.6	4.6	448.3
Exchange differences	19.1	0.6	2.5	3.3	0.3	25.8
Controlled entity disposals	(0.7)	-	-	-	-	(0.7)
Additions	-	-	9.8	-	-	9.8
Amortisation charge	-	(0.8)	(22.4)	(4.5)	(0.3)	(28.0)
Reclassifications from PP&E	-	-	2.4	-	-	2.4
Closing net book amount	302.6	8.0	88.0	54.4	4.6	457.6
At 30 June 2013						
Cost	742.2	17.7	259.9	90.1	6.8	1,116.7
Accumulated amortisation and impairment	(439.6)	(9.7)	(171.9)	(35.7)	(2.2)	(659.1)
Net book amount	302.6	8.0	88.0	54.4	4.6	457.6

21 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	Reportable segment	2013 $M	2012 $M
Lysaght Australia	Building Components & Distribution Australia	**20.8**	20.8
Buildings Australia	Global Building Solutions	**25.4**	25.4
BlueScope Water Australia	Global Building Solutions	**4.3**	4.3
ASC Profiles LLC	Building Products ASEAN, North America & India	**3.0**	2.8
Building North America	Global Building Solutions	**236.4**	218.1
Buildings China	Global Building Solutions	**9.5**	8.8
Other Asia	Global Building Solutions	**3.2**	4.0
Total goodwill		**302.6**	284.2

In addition to goodwill, the Group has other intangible assets with indefinite useful lives of $3.1M (2012: $2.9M) allocated to the Buildings North America CGU which relates to trade names recognised as part of the IMSA Group business combination acquired in February 2008.

(b) Impairment charges

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

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

The Group tests for impairment and measures recoverable amount of its CGUs containing goodwill based on the methodology and assumptions outlined in note 3.

Cash generating units with significant goodwill
The significant proportion of the Group's goodwill has been allocated to BlueScope Buildings North America (a business within the Global Building Solutions segment).

BlueScope Buildings North America
BlueScope Buildings North America has $236.4M of goodwill (78.1% of the Group's goodwill) and is tested for impairment on a VIU basis using four year cash flow projections, followed by a long-term growth rate of 2.5% for a further 26 years. Pre-tax VIU cash flows are discounted utilising a 13.4% pre-tax discount rate (2012: 14.5%).

At 30 June 2013 the recoverable amount of this CGU is 1.4 times the carrying amount. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity, in particular the magnitude and timing of a recovery to pre global financial crisis activity levels. Taking into account external forecasts, the Company expects non-residential building and construction activity to increase significantly (13% per annum from the current historically low base over the four-year projection period) as general market conditions improve in North America but remain 18% below the levels experienced prior to the 2008 global financial crisis.

However, the timing and extent of this recovery is uncertain and in the absence of mitigating factors, a permanent 32% reduction in non-residential construction activity below pre global financial crisis levels, or more than a three-year period to achieve the projected recovery, would reduce the recoverable amount to be equal to the carrying amount.

22 Non-current assets - Other

	Consolidated	
	2013	2012
	$M	$M
Deferred charges and prepayments	**2.8**	2.6

23 Current liabilities - Payables

	Consolidated	
	2013	2012
	$M	$M
Trade payables	**934.0**	946.9
Other payables	**97.7**	102.2
	1,031.7	1,049.1

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 37.

24 Current liabilities - Borrowings

		Consolidated	
		2013	2012
	Notes	**$M**	$M
Secured			
Bank loans	11(d)	**-**	131.0
Other loans		**-**	5.2
Lease liabilities	41	**6.7**	6.3
		6.7	142.5
Unsecured			
Bank overdrafts	10	**0.8**	1.9
Other loans		**0.6**	0.5
		1.4	2.4
Total current interest bearing liabilities		**8.1**	144.9

(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 29.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 37.

25 Current liabilities - Current tax liabilities

	Consolidated	
	2013 **$M**	2012 $M
Income tax	**8.7**	72.7

26 Current liabilities - Provisions

	Consolidated	
	2013 **$M**	2012 $M
Employee benefits - annual leave	**65.5**	71.9
Employee benefits - long service leave	**134.7**	137.5
Employee benefits - redundancy (a)	**11.2**	6.1
Employee benefits - other	**109.7**	66.7
Restructure (b)	**31.3**	82.3
Product claims (c)	**24.6**	20.1
Workers compensation (d)	**13.8**	14.2
Restoration and rehabilitation (e)	**3.8**	7.1
Carbon emissions (f)	**32.4**	2.8
Other	**14.8**	7.5
	441.8	416.2

(a) Redundancy

The employee redundancy provision reflects a range of internal reorganisations. Uncertainty exists around exact levels of redundancy payments caused by the unknown potential for redeployment of a limited number of redundant personnel within other areas of the business which share similar skill prerequisites. All redundancies are expected to take effect within 12 months of the reporting date.

(b) Restructure

The total restructuring provision includes $37.8M (current $19.5M, $18.3M non-current) for incurred and estimated future costs arising from the closure of the No. 6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced on 22 August 2011.The remaining restructuring provisions relate to the Building Products North America and Australia Building Components and Distribution segments.

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

(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.

26 Current liabilities - Provisions (continued)

(d) Workers compensation

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

For the Group, an actuarially determined asset of $41.2M (2012: $21.0M) 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 current provision totals $3.5M (2012: $6.9M). Other restoration and rehabilitation non-current provisions of $9.4M (2012: $9.9M) exist for New Zealand Steel in relation to their operation of two iron sand mines (refer to note 31). These provisions have been classified as non-current as the timing of payments to remedy these sites will not be made until the distant future upon cessation of their operations. The extent of these future costs remains uncertain due to possibilities of changed site conditions.

Additionally, various businesses have recorded provisions of $0.3M current (2012: $0.2M) and $4.5M non-current (2012: $3.0M) in relation to leased sites that require rectification and restoration work at the end of their respective lease periods.

(f) Carbon emissions

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

(g) Movements in provisions

The reconciliation of movement in provisions is set out in note 31.

(h) Amounts not expected to be settled within 12 months for current leave provisions

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

	Consolidated	
	2013	2012
	$M	$M
Current annual and long service leave obligation expected to be settled after 12 months	**114.1**	121.5

27 Current liabilities - Deferred income

	Consolidated 2013 $M	2012 $M
Deferred income	**177.2**	117.6

28 Non-current liabilities - Payables

	Consolidated 2013 $M	2012 $M
Other payables	**8.3**	7.5

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 37.

29 Non-current liabilities - Borrowings

	Notes	Consolidated 2013 $M	2012 $M
Secured			
Other loans		**6.7**	6.2
Lease liabilities	41	**158.4**	128.1
		165.1	134.3
Unsecured			
Bank Loans		**184.5**	111.5
Other loans		**324.1**	219.6
Deferred borrowing costs		**(19.7)**	(11.9)
		488.9	319.2
Total non-current borrowings		**654.0**	453.5

(a) Secured liabilities and assets pledged as security

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

	Consolidated 2013 $M	2012 $M
Other loans	**6.7**	137.2
Lease liabilities	**165.1**	134.4
Total secured liabilities	**171.8**	271.6

29 Non-current liabilities - Borrowings (continued)

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

	Notes	Consolidated **2013** **$M**	2012 $M
Bank loans			
Trade receivables		**479.5**	-
Inventories		**1,046.4**	-
		1,525.9	-
Other loans			
Receivables securitisation	11(d)	**-**	131.0
Lease liabilities			
Property, plant and equipment		**155.9**	127.0
Total assets pledged as security		**1,681.8**	258.0

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.

(b) Financing arrangements

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

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

- $675M syndicated bank facility with a syndicate of banks. The facility is currently undrawn and comprises a $675M tranche maturing in December 2015. The facility is secured against trade receivables and inventories of the Australian, New Zealand and North American businesses, excluding Building Products North America.

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

- Three long-term facilities totalling THB 2,500M (AUD 87M) available for the BlueScope Steel (Thailand) Ltd cash requirements.

- One short-term facility totalling MYR 30M (AUD 10M) to support working capital and other short-term cash requirements for BlueScope Steel (Malaysia) Sdn Bhd.

The NS BlueScope Coated joint venture entered into the following facilities:

- USD 200M revolving facility maturing March 2016;
- Two USD 50M term facilities maturing March 2016 and July 2016.

29 Non-current liabilities - Borrowings (continued)

Other facilities

- On 7 August 2012 and 13 December 2012, the Company successfully closed a partial tender offer to repurchase USD 88.2M and USD 21.3M respectively of its US Private Placement Notes at par plus accrued interest of $1.4M. No early redemption or make-whole costs were incurred by BlueScope Steel in effecting these repurchases. On 28 March 2013, the Company repurchased the remaining USD 110.1M of its US Private Placement Notes. This included USD 15.6M of accrued interest and make-whole costs. The repurchases were funded in US dollars using existing undrawn lines under the Company's syndicated bank facility.

- On 16 April 2013, the Company completed its offering of USD 300M in aggregrate principle of Senior Unsecured Notes which mature 1 May 2018 to qualified institutional buyers in the United States of America. Interest of 7.125% on the Notes will be paid semi-annually on 1 May and 1 November of each year, commencing 1 November 2013.

Working Capital Facility - Trade receivables securitisation

- BlueScope Distribution has a receivables securitisation program with NAB. The facility limit is $150M which matures on 7 September 2014 (refer to note 11(d)).

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	
	2013 $M	2012 $M
Credit standby arrangements		
Total facilities		
Bank overdrafts	**48.9**	34.9
Bank loan facilities	**1,246.8**	1,611.3
	1,295.7	1,646.2
Used at balance date		
Bank overdrafts	**0.8**	1.9
Bank loan facilities	**184.5**	242.5
	185.3	244.4
Unused at balance date		
Bank overdrafts	**48.1**	33.0
Bank loan facilities	**1,062.3**	1,368.8
	1,110.4	1,401.8

(c) Risk exposures

Information about the Groups' exposure to interest rate and foreign exchange risk is provided in note 37.

30 Non-current liabilities - Deferred tax liabilities

		Consolidated	
		2013	2012
		$M	$M
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Doubtful debts provision		**(1.2)**	(1.8)
Employee benefits		**(39.5)**	(43.0)
Claims provision		**(2.5)**	(2.7)
Other provisions		**(4.0)**	(5.9)
Depreciation		**55.4**	68.9
Foreign exchange (gains) losses		**0.2**	0.1
Inventory		**(3.1)**	(6.7)
Investments		**(0.5)**	(3.7)
Intangible assets		**20.6**	21.7
Tax losses		**(10.8)**	(10.8)
Other		**(0.9)**	2.6
		13.7	18.7
	Notes		
Movements:			
Opening balance at 1 July		**18.7**	69.1
Charged (credited) to profit or loss	8	**1.9**	(22.4)
Charged (credited) to other comprehensive income		**(7.5)**	(23.1)
Disposal of subsidiary		**-**	(9.2)
Exchange fluctuation		**0.6**	4.3
Closing balance at 30 June		**13.7**	18.7

31 Non-current liabilities - Provisions

	Consolidated	
	2013	2012
	$M	$M
Employee benefits - long service leave	**22.4**	22.3
Employee benefits - other	**7.7**	4.2
Restructure	**32.3**	38.9
Product claims	**39.5**	44.7
Workers compensation	**104.0**	112.8
Restoration and rehabilitation	**13.9**	12.9
Other	**2.2**	0.9
	222.0	236.7

For a description of each class of provision, refer to note 26.

31 Non-current liabilities - Provisions (continued)

(a) 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	Carbon Emissions $M	Other $M	Total $M
Consolidated - 2013							
Current and non-current							
Carrying amount at start of the year	121.2	64.8	127.0	20.0	2.8	8.4	344.2
Additional provisions recognised (refer to note 7)	11.4	15.9	19.1	1.9	138.8	10.5	197.6
Unutilised provisions written back	(7.8)	(5.8)	(11.0)	(2.0)	-	-	(26.6)
Amounts used during the period	(60.2)	(14.0)	(20.1)	(1.6)	(107.1)	(3.1)	(206.1)
Exchange fluctuations	0.3	1.8	0.5	0.7	0.2	1.2	4.7
Transfers	(2.1)	0.2	-	-	-	-	(1.9)
Unwinding of discount	0.8	1.2	2.3	0.8	-	-	5.1
Capitalised provision write-back	-	-	-	(2.1)	-	-	(2.1)
Remeasurement	-	-	-	-	(2.3)	-	(2.3)
Carrying amount end of year	63.6	64.1	117.8	17.7	32.4	17.0	312.6

32 Non-current liabilities - Retirement benefit obligations

(a) Superannuation benefits

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

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

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

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

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

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

Actuarial assessments of the defined benefit funds are made at no more than three-yearly intervals, with summary assessments performed annually. The last formal actuarial investigations were made of the BlueScope Steel Superannuation Fund as at 30 June 2011, the New Zealand Steel Pension Fund as at 30 June 2012, and the Butler Base Retirement Plan as at 1 January 2013. Summary actuarial assessments were performed for all of these funds as at 30 June 2013, to provide information that is more up to date than that of the most recent formal actuarial investigation.

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

(b) Statement of financial position amounts

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

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

	Consolidated	
	2013	2012
	$M	$M
Present value of the defined benefit obligation	**(1,159.2)**	(1,249.1)
Fair value of defined benefit plan assets	**942.2**	817.1
Net (liability) asset in the statement of financial position	**(217.0)**	(432.0)

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

2013	**BlueScope Steel Superannuation Fund**	**New Zealand Pension Fund**	**Coated & Building Products North America**	**Total**
	$M	**$M**	**$M**	**$M**
Present value of the defined benefit obligation	(386.0)	(374.3)	(398.9)	(1,159.2)
Fair value of defined benefit plan assets	333.3	288.1	320.8	942.2
Net (liability) asset in the statement of financial position	(52.7)	(86.2)	(78.1)	(217.0)
Defined benefit expense	8.7	10.0	(8.7)	10.0
Employer contribution	24.8	15.5	7.7	48.0
Principal actuarial assumption	%	%	%	
Discount rate (gross of tax)	4.0	4.6	4.6	
Expected return on plan assets (net of tax) (i)	n/a	n/a	n/a	
Future salary increases (ii)	3.0	3.0	-	

2012	**BlueScope Steel Superannuation Fund**	**New Zealand Pension Fund**	**Coated & Building Products North America**	**Total**
	$M	**$M**	**$M**	**$M**
Present value of the defined benefit obligation	(412.0)	(433.2)	(403.9)	(1,249.1)
Fair value of defined benefit plan assets	287.7	236.4	293.0	817.1
Net (liability) asset in the statement of financial position	(124.3)	(196.8)	(110.9)	(432.0)
Defined benefit expense	7.7	8.1	0.1	15.9
Employer contribution	14.8	15.5	12.5	42.8
Principal actuarial assumption	%	%	%	
Discount rate (gross of tax)	3.0	3.5	4.0	
Expected return on plan assets (net of tax)	6.5	5.8	7.0	
Future salary increases	3.0	3.0	3.8	

(i) In line with the amendments to AASB 119 *Amendments to Australian Accounting Standards Employee Benefits (effective from 1 July 2013*) fund assets will be required to produce a credit to income based on corporate and/or government bond yields irrespective of the actual composition of fund assets held.

(ii) Coated and Building Products North America has frozen future salary increases for the purpose of contributions to the superannuation fund as at 30 June 2013.

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

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

As at 30 June 2013 the Group has used a State and Commonwealth blended (2012: Commonwealth Government bonds) 10-year Australian Government bond rate to determine the discount rate for the BlueScope Steel Superannuation fund. This change resulted in a $8.5M increase in the actuarial gain on the Australian defined benefit plan recognised in other comprehensive income and the defined benefit liability.

(d) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated	
	2013 $M	2012 $M
Cash	**3.3**	2.9
Equity instruments	**443.7**	361.7
Debt instruments	**456.4**	418.5
Property	**38.8**	34.0
	942.2	817.1

(e) Reconciliations

	Consolidated	
	2013 $M	2012 $M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	**1,249.1**	1,093.5
Current service cost	**27.5**	25.7
Interest cost	**40.4**	56.8
Actuarial losses (gains)	**(152.7)**	253.6
Foreign currency exchange rate changes	**62.7**	28.2
Benefits paid	**(55.3)**	(94.6)
Settlements	**-**	(107.8)
Allowance for contributions tax on net liability	**(5.5)**	(4.6)
Losses (gains) on curtailments	**(5.6)**	(0.7)
Other	**(1.4)**	(1.0)
Balance at the end of the year	**1,159.2**	1,249.1
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**817.1**	922.8
Expected return on plan assets	**51.3**	63.7
Actuarial gains (losses)	**43.5**	(25.1)
Foreign currency exchange rate changes	**43.5**	18.8
Contributions by the Group	**48.0**	42.8
Tax on employer contributions	**(8.8)**	(7.3)
Contributions by plan participants	**4.3**	4.9
Benefits paid	**(55.3)**	(94.6)
Settlements	**-**	(107.8)
Other	**(1.4)**	(1.1)
Balance at the end of the year	**942.2**	817.1

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

(f) Amounts recognised in profit or loss

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

	Consolidated	
	2013	2012
	$M	$M
Current service cost	**27.5**	25.7
Contributions by plan participants	**(4.3)**	(4.9)
Interest cost	**40.4**	56.8
Expected return on plan assets	**(51.3)**	(63.7)
Allowance for contributions tax on net liability	**3.3**	2.7
Losses (gains) on curtailments and settlements	**(5.6)**	(0.7)
Total included in employee benefits expense	**10.0**	15.9
Actual return on plan assets	**94.8**	40.0

(g) Amounts recognised in other comprehensive income

	Consolidated	
	2013	2012
	$M	$M
Actuarial gains (losses) recognised in other comprehensive income during the year - DB plans	**196.2**	(278.7)
Actuarial gains (losses) recognised in other comprehensive income during the year - Other	**(0.4)**	-
	195.8	(278.7)
Cumulative actuarial losses recognised in other comprehensive income	**(359.4)**	(555.2)

(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 2014 are $34.4M.

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 32(c).

(i) Historic summary of defined benefit plans

	2013	2012	2011	2010	2009
	$M	$M	$M	$M	$M
Present value of defined benefit plan obligation	**(1,159.2)**	(1,249.1)	(1,093.5)	(1,126.8)	(1,052.0)
Fair value of defined benefit plan assets	**942.2**	817.1	922.8	896.7	791.4
Net (liability) asset in the statement of financial position	**(217.0)**	(432.0)	(170.7)	(230.1)	(260.6)
Experience adjustments arising on plan liabilities	**152.7**	(253.6)	(38.3)	(114.0)	135.6
Experience adjustments arising on plan assets	**43.5**	(25.1)	33.4	81.0	(239.2)

33 Non-current liabilities - Deferred income

	Notes	Consolidated 2013 $M	2012 $M
Government grants	16	**83.0**	-
Deferred income		**3.7**	4.1
		86.7	4.1

34 Contributed equity

(a) Share capital

	Parent Entity 2013 Shares	2012 Shares	Parent Entity 2013 $M	2012 $M
Issued fully paid ordinary shares (d)	**558,243,305**	3,349,185,247	**4,661.4**	4,661.4

(b) Other equity securities

Treasury Shares (d) (e)	**(1,155,933)**	(6,935,600)	**(11.3)**	(11.3)
Total Contributed equity			**4,650.1**	4,650.1

(c) Movements in ordinary share capital

Date	Details	Number of shares	Issue/ redemption price	$M
1 July 2011	**Opening balance**	**1,842,207,385**		**4,073.8**
	General Employee Share plan-2009 (h)	**27,371**	$9.26	0.2
	Share plan retention awards (i)	**6,935,600**	$1.62	11.3
	Capital raising (j)	**1,500,014,891**	$0.40	600.0
	Less : Cost of capital issues	**-**		(23.9)
30 June 2012	**Balance**	**3,349,185,247**		**4,661.4**
	Impact of share consolidation (d)	**(2,790,941,942)**		-
30 June 2013	**Balance**	**558,243,305**		**4,661.4**

(d) Ordinary shares

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

On 19 December 2012, the Company consolidated its share capital through the conversion of every 6 shares in the Company into one ordinary share in the Company. As a result, the Company's opening balance of shares issued and movements in shares issued for the prior period, as well as the earnings per share (refer to note 49) have been restated to reflect this change, with an impact of reducing the number of shares on issue from 3.35 billion to 558.2 million.

34 Contributed equity (continued)

(e) Treasury shares

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

Date	Details	Number of shares	$M
30 Jun 2012	Opening balance	(6,935,600)	(11.3)
19 Dec 2012	Impact of share consolidation	5,779,667	-
30 June 2013	Closing balance	(1,155,933)	(11.3)

(f) Dividend Reinvestment Plan

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

(g) Share rights

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

(h) General Employee Share Plans

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

(i) Retention share awards

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

(j) Capital raising

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

(k) Capital risk management

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

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

34 Contributed equity (continued)

The Group's gearing ratio is as follows:

	Notes	Consolidated 2013 $M	2012 $M
Total borrowings	24, 29	**662.1**	598.4
Less: Cash and cash equivalents	10	**(513.7)**	(214.5)
Net debt		**148.4**	383.9
Total equity		**4,460.3**	3,778.8
Total capital		**4,608.7**	4,162.7
Gearing ratio		**3.2%**	9.2%

35 Reserves and retained profits

(a) Reserves

	Consolidated 2013 $M	2012 $M
Hedging reserve - cash flow hedges	**(0.9)**	-
Share-based payments	**41.0**	29.5
Foreign currency translation reserve	**(186.8)**	(309.8)
Non-distributable profits reserve	**13.5**	13.3
Asset realisation reserve	**192.6**	-
Controlled entity acquisition reserve	**(21.9)**	-
	37.5	(267.0)

	Consolidated 2013 $M	2012 $M
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**-**	-
Net gain (loss)	**(1.3)**	-
Transfer to inventory	**-**	-
Deferred tax	**0.4**	-
Exchange fluctuation	**-**	-
Closing balance	**(0.9)**	-
Share-based payments		
Opening balance	**29.5**	22.8
Share-based payments expense	**11.5**	7.0
Transfer to share capital	**-**	(0.2)
Other	**-**	(0.1)
Closing balance	**41.0**	29.5

35 Reserves and retained profits (continued)

	Consolidated 2013 $M	Consolidated 2012 $M
Foreign currency translation		
Opening balance	**(309.8)**	(361.0)
Net gain (loss) on hedges of subsidiaries	**17.6**	(2.4)
Deferred tax on investments in subsidiaries	**0.1**	0.7
Currency translation differences arising during the year	**73.0**	41.6
Transfer to non-controlling interests	**31.9**	-
Transferred to profit or loss on disposal of subsidiaries	**-**	11.6
Other	**0.4**	(0.3)
Closing balance	**(186.8)**	(309.8)
Non-distributable profits reserve		
Opening balance	**13.3**	13.4
Exchange fluctuations	**(0.4)**	(0.1)
Transfer from retained profits	**0.6**	-
Closing balance	**13.5**	13.3
Asset realisation reserve		
Opening balance	**-**	-
Net gain on partial disposal of subsidiaries	**184.3**	-
Tax (expense) benefit on partial disposal of subsidiaries	**8.3**	-
Closing balance	**192.6**	-
Controlled entity acquisition reserve		
Opening balance	**-**	-
Carrying amount of non-controlling interests acquired	**45.7**	-
Consideration paid to non-controlling interests	**(89.3)**	-
Transaction costs	**(0.2)**	-
	(43.8)	-
Partial disposal of subsidiaries	**21.9**	-
Closing balance	**(21.9)**	-

(b) Retained profits

Movements in retained profits were as follows:

	Notes	Consolidated 2013 $M	Consolidated 2012 $M
Opening balance		**(703.8)**	559.8
Profit (loss) for the year		**(84.1)**	(1,043.5)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	32	**195.8**	(278.7)
Deferred tax		**(41.3)**	58.3
Other		**(1.3)**	0.3
Closing balance		**(634.7)**	(703.8)

35 Reserves and retained profits (continued)

(c) Nature and purpose of reserves

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

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

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

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

(v) Asset realisation reserve
The asset realisation reserve arises from the net after tax accounting gain from disposing of a 50% interest in BlueScope's ASEAN and North American building product businesses into the BlueScope and Nippon Steel and Sumitomo Metal Corporation joint venture as at 28 March 2013. In accordance with the Group's consolidation accounting policy (note 1(d)(iv)) transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. Any difference between the amount of adjustment to non-controlling interests and consideration paid or received, net of transaction costs, is recognised in a separate reserve within equity attributable to owners of BlueScope Steel Limited.

(vi) Controlled entity acquisition reserve
The controlled entity acquisition reserve arises from the Group's acquisition of the remaining 40% non-controlling interest in BlueScope Steel (Malaysia) Sdn Bhd and 5% of Lysaght Thailand Ltd and BlueScope Steel Thailand Ltd, adjusted for the subsequent 50% disposal of their additional interests into BlueScope and Nippon Steel and Sumitomo Metal Corporation joint venture. This item represents the difference between the amount paid and the balance of the non-controlling interest acquired (refer note 1(d) (iv)).

36 Dividends

(a) Ordinary shares

	Parent entity	
	2013	2012
	$M	$M
There was no final dividend declared in relation to the year ended 30 June 2012.	**-**	-
There was no interim dividend declared for the year ended 30 June 2013.	**-**	-
Total dividends provided for or paid	**-**	-

(b) Dividends not recognised at year-end

For the year ended 30 June 2013 the Directors recommended that there will be no final dividend declared (2012: $Nil).

(c) Franked dividends

	Parent entity	
	2013	2012
	$M	$M
Actual franking account balance as at the reporting date	**72.1**	72.1
Franking credits available for subsequent financial years based on a tax rate of 30%	**72.1**	72.1

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

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

(d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is $Nil (2012: $Nil) as presented in the statement of cash flows.

37 Financial risk management

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

		Loans and receivables	**Derivative instruments**		**Financial liabilities at amortised cost**	**Total carrying amount**
			Designated as hedges	Held for trading		
30 June 2013	Notes	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets						
Receivables (current)	11	952.3	-	-	-	952.3
Receivables (non-current)	16	145.4	-	-	-	145.4
Derivative financial instruments	14	-	-	0.4	-	0.4
		1,097.7	-	0.4	-	1,098.1
Financial liabilities						
Payables (current)	23	-	-	-	(1,031.7)	(1,031.7)
Payables (non-current)	28	-	-	-	(8.3)	(8.3)
Derivative financial instruments	14	-	(1.3)	-	-	(1.3)
Borrowings (current)	24	-	-	-	(8.1)	(8.1)
Borrowings (non-current)	29	-	-	-	(654.0)	(654.0)
		1,097.7	(1.3)	0.4	(1,702.1)	(605.3)

		Loans and receivables	**Derivative instruments**		**Financial liabilities at amortised cost**	**Total carrying amount**
			Designated as hedges	Held for trading		
30 June 2012	Notes	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets						
Receivables (current)	11	952.9	-	-	-	952.9
Receivables (non-current)	16	42.2	-	-	-	42.2
		995.1	-	-	-	995.1
Financial liabilities						
Payables (current)	23	-	-	-	(1,049.1)	(1,049.1)
Payables (non-current)	28	-	-	-	(7.5)	(7.5)
Derivative financial instruments	14	-	-	(1.7)	-	(1.7)
Borrowings (current)	24	-	-	-	(144.9)	(144.9)
Borrowings (non-current)	29	-	-	-	(453.5)	(453.5)
		995.1	-	(1.7)	(1,655.0)	(661.6)

37 Financial risk management (continued)

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

Financial risk management

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

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

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

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

(a) Market risk

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

(i) Interest rate risk

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

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

Sensitivity disclosure analysis

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

	Consolidated	
	2013	2012
	$M	$M
Financial assets		
Cash and cash equivalents	**513.7**	214.5
Financial liabilities		
Borrowings	**191.1**	249.8
Net exposure	**322.6**	**(35.3)**

37 Financial risk management (continued)

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

	Post-tax profit higher (lower)		**Equity higher (lower)**	
Judgement of reasonably possible movements:	**2013 $M**	2012 $M	**2013 $M**	2012 $M
+50 basis points	**1.2**	(0.1)	**1.2**	(0.1)
-50 basis points	**(1.2)**	0.1	**(1.2)**	0.1

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

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

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

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

	Consolidated	
	2013 $M	2012 $M
Financial assets		
Cash and cash equivalents	**34.7**	32.5
Trade and other receivables	**67.2**	63.1
Forward foreign exchange contracts	**0.3**	-
	102.2	95.6
Financial liabilities		
Trade and other payables	**120.0**	146.1
Borrowings	**29.2**	218.9
Forward foreign exchange contracts	**0.5**	1.7
	149.7	366.7
Net exposure	**(47.5)**	(271.1)

37 Financial risk management (continued)

This exposure for the Group does not reflect the natural hedge of USD assets against USD borrowings of AUD 108.7M (2012: AUD 311.3M).

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

Sensitivity disclosure analysis

The table below summarises the impact of +/- 10% (2012: +/- 10%) weakening/strengthening of the AUD against the USD on the Group's post-tax profit for the year and on equity based on the Group's external net exposure. The analysis is based on the assumption that the AUD has weakened/strengthened by 10% with all other variables held constant.

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

	Post-tax profit higher (lower)		**Equity higher (lower)**	
Judgement of reasonably possible movements:	**2013 $M**	2012 $M	**2013 $M**	2012 $M
AUD/USD + 10% (2012: +10%)	**3.2**	17.1	**3.2**	17.1
AUD/USD - 10% (2012: -10%)	**(3.9)**	(20.8)	**(3.9)**	(20.8)

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

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

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

The Group periodically enters into hedges to manage exposure to fluctuations in electricity prices (New Zealand operations) in accordance with the Group's financial risk management policies. An electricity hedge was taken out in October 2012 and matures on 31 December 2013.

The value of electricity hedges is influenced by the price of electricity and is considered a derivative financial instrument, exposing the Group to commodity price risk as defined under the Accounting Standards.

The sensitivity of their fair value to an immediate increase/decrease in the commodity price of electricity is set out in the following table (with all other variables, in particular foreign exchange rates, held constant). The analysis is based on the volatility observed both on a historical basis and market expectations for future movement.

37 Financial risk management (continued)

Judgement of reasonably possible movements:	**Post-tax profit higher (lower) 2013 $M**	2012 $M
Electricity price + 20%	**1.4**	N/A
Electricity price - 20%	**(1.4)**	N/A

(b) Liquidity risk

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

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

The Group's net exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. Refer to note 29(b) for a summary of the Group's material financing facilities.

Contractual maturity analysis
The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities at 30 June 2013 and 30 June 2012. The amounts disclosed represent undiscounted, contractual cash flows for the respective obligations in respect of upcoming fiscal years and therefore do not equate to the values shown in the statement of financial position.

Non-derivatives	**Contractually maturing in:**						
30 June 2013	**< 1 year** $M	**1 - 2 years** $M	**2 - 3 years** $M	**3 - 4 years** $M	**4 - 5 years** $M	**> 5 years** $M	**Total** $M
Payables (current & non-current)	1,031.7	-	-	-	-	8.3	1,040.0
Borrowings (current & non-current)	48.7	54.5	230.6	45.8	369.9	175.8	925.3
	1,080.4	54.5	230.6	45.8	369.9	184.1	1,965.3
Derivatives							
Electricity forward exchange contracts	0.8	-	-	-	-	-	0.8
Gross settled (forward foreign exchange contracts)							
- Cash outflow	35.8	-	-	-	-	-	35.8
- Cash (inflow)	(35.3)	-	-	-	-	-	(35.3)
	0.5	-	-	-	-	-	0.5

37 Financial risk management (continued)

Non-derivatives				**Contractually maturing in:**			
30 June 2012	**< 1 year** $M	**1 - 2 years** $M	**2 - 3 years** $M	**3 - 4 years** $M	**4 - 5 years** $M	**> 5 years** $M	**Total** $M
Payables (current & non-current)	1,049.1	-	-	-	-	7.5	1,056.6
Borrowings (current & non-current)	52.4	280.0	204.0	22.6	22.6	204.6	786.2
	1,101.5	280.0	204.0	22.6	22.6	212.1	1,842.8
Derivatives							
Gross settled (forward foreign exchange contracts)							
- Cash outflow	38.3	-	-	-	-	-	38.3
- Cash (inflow)	(36.6)	-	-	-	-	-	(36.6)
	1.7	-	-	-	-	-	1.7

(c) Credit risk

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

To manage this risk, the Group:

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

The maximum exposure of the Group's credit risk is represented by the carrying amount of the financial assets it holds (without taking account of the value of any collateral obtained), reduced by the effects of any netting arrangements with financial institution counterparties. As at 30 June 2013 and 30 June 2012, the Group held minimal amounts of collateral as security relating to any of its financial assets.

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

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

37 Financial risk management (continued)

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

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

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

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

Selected receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and specialist credit insurers.

(ii) Renegotiations and amounts past due and not impaired
The Group does not typically renegotiate the terms of trade receivables. However, should a renegotiation occur, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 30 June 2013 (30 June 2012: Nil). Refer to note 11(c) for an ageing analysis of trade receivables past due and not impaired. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency or financial reorganisation, and default or delinquency in payments are considered indicators of impairment.

With respect to the trade receivables which are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 11 and 16 for impairment losses recognised for the period.

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

(d) Fair value

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

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

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

37 Financial risk management (continued)

The table below presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2013 and 30 June 2012.

30 June 2013	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Forward foreign exchange contracts	-	0.4	-	0.4
Total assets	-	0.4	-	0.4
Liabilities				
Forward electricity exchange contracts	-	0.8	-	0.8
Forward foreign exchange contracts	-	0.5	-	0.5
Total liabilities	-	1.3	-	1.3
30 June 2012				
Liabilities				
Forward foreign exchange contracts	-	1.7	-	1.7
Total liabilities	-	1.7	-	1.7

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

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

	At 30 June 2013		At 30 June 2012	
	Carrying amount $M	**Fair value $M**	**Carrying amount $M**	**Fair value $M**
Non-traded financial liabilities				
Other loans	**323.9**	**415.5**	218.9	268.8
Net assets (liabilities)	**(323.9)**	**(415.5)**	(218.9)	(268.8)

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.

38 Key management personnel disclosures

(a) Directors

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

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

(ii) *Executive Director*
P F O'Malley, Managing Director and Chief Executive Officer

(iii) *Non-Executive Directors*
R J McNeilly
D J Grady, AM (retired 15 February 2013)
H K McCann, AM (retired 5 April 2013)
Y P Tan
D B Grollo
K A Dean
P Bingham Hall
EGW Crouch, AM (appointed 12 March 2013)

(b) Other key management personnel

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

Name	*Position*
I R Cummin	Executive General Manager People and Organisation Performance
M R Vassella	Chief Executive BlueScope Steel Australia and New Zealand
M G Barron	Chief Legal Officer and Company Secretary
S R Elias	Chief Financial Officer
S Dayal	Chief Executive NS BlueScope Coated Products
K A Mitchelhill (i)	Chief Executive North America
P J Finan	President Global Building Solutions
R J Moore	Chief Executive Global Building Solutions

(i) Following the restructure of the North American business as a result of the establishment of the Building Products and Global Building Solutions businesses, K A Mitchelhill's role became redundant and he left the Company on 31 March 2013.

(c) Key management personnel compensation

	Consolidated	
	2013 $'000	2012 $'000
Short-term employee benefits	**13,113.8**	11,324.5
Post-employment benefits	**196.5**	346.7
Other long-term benefits	**108.2**	336.0
Termination benefits	**852.0**	-
Share-based payments	**7,448.7**	4,385.5
	21,719.2	16,392.7

Detailed remuneration disclosures for directors and executives are provided in the 30 June 2013 Remuneration Report.

38 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 2013 Remuneration Report.

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

2013 Name	Balance at start of the year	Other changes[1]	Granted as compen-sation	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Directors of BlueScope Steel Ltd								
P F O'Malley	2,607,631	(2,173,025)	1,367,464	-	(38,509)	1,763,561	-	1,763,561
Other key management personnel								
M R Vassella	2,516,938	(2,097,446)	451,369	-	(7,887)	862,974	-	862,974
I R Cummin	1,640,459	(1,367,048)	230,342	-	(6,408)	497,345	-	497,345
M G Barron	1,640,459	(1,367,048)	230,342	-	(6,408)	497,345	-	497,345
S R Elias	1,997,319	(1,664,430)	283,469	-	(7,394)	608,964	-	608,964
S Dayal	2,171,190	(1,809,324)	353,287	-	-	715,153	-	715,153
K A Mitchelhill[2]	2,176,360	(1,813,632)	56,695	-	(177,805)	241,618	-	241,618
P J Finan	1,342,230	(1,118,523)	173,706	-	(3,167)	394,246	-	394,246
R J Moore	1,508,333	(1,256,944)	272,895	-	(4,000)	520,284	-	520,284

[1] Balance at start of the year adjusted for the share consolidation undertaken on 19 December 2012 (refer to note 34(d)).
[2] K A Mitchelhill retains pro-rata Share Rights with vesting subject to achieving company performance hurdles. The balance is represented as at 31 March 2013.

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

[1] N H Cornish and P E O'Keefe retain pro-rata Share Rights with vesting subject to achieving company performance hurdles. The balances are represented as at departure date.

38 Key management personnel disclosures (continued)

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

2013 Name	Balance at the start of the year	Other changes during the year[2]	Received during the year on the exercise of options	Shares granted as compensation	Balance at the end of the year
Directors of BlueScope Steel Ltd					
G J Kraehe AO	641,297	(534,414)	-	-	106,883
R J McNeilly	2,378,704	(1,982,252)	-	-	396,452
D J Grady AM[3]	377,007	(314,172)	-	-	62,835
H K McCann AM[3]	162,368	(135,305)	-	-	27,063
Y P Tan	282,809	(235,674)	-	-	47,135
D B Grollo	230,681	(192,234)	-	-	38,447
P F O'Malley	499,704	(416,418)	-	-	83,286
K A Dean	146,924	(117,436)	-	-	29,488
P Bingham Hall	122,000	(74,166)	-	-	47,834
EGW Crouch AM[4]	-	14,500	-	-	14,500
Other key management personnel **Ordinary shares**					
I R Cummin	741,892	(618,241)	-	-	123,651
M R Vassella	707,703	(589,751)	-	-	117,952
M G Barron	595,524	(496,269)	-	-	99,255
S R Elias	561,480	(467,899)	-	-	93,581
S Dayal	20,000	(16,666)	-	-	3,334
K A Mitchelhill[1]	674,099	(600,479)	-	-	73,620
P J Finan	493,851	(411,542)	-	-	82,309
R J Moore	1,346,708	(1,122,255)	-	-	224,453

[1] K A Mitchelhill left the Company on 31 March 2013 following the restructure of the North American business.
[2] Balance at start of year adjusted for share consolidation undertaken on 19 December 2012 (refer to note 34(d)).
[3] D J Grady and H K McCann retired from the Board effective from 15 February 2013 and 5 April 2013 respectively.
[4] EGW Crouch was appointed to the Board with effect from 12 March 2013.

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

[1] N H Cornish retired from the Company on 31 July 2011 and P E O'Keefe left the Company on 27 January 2012 following restructure of the Australian businesses.

38 Key management personnel disclosures (continued)

(e) Loans to key management personnel

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

(f) Other transactions with key management personnel

Mr Daniel Grollo is a Director of Grocon Pty Ltd, a privately owned company. Grocon occasionally purchases Lysaght building products from the BlueScope Steel Group on normal terms and conditions. Total amounts purchased from the BlueScope Steel Group by Grocon for the 12 months ended 30 June 2013 was $350,444 (2012: $96,350).

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

Mr Cornish retired from the Company on 31 July 2011. No payments other than statutory entitlements were paid. The Company entered into an agreement with Mr Cornish for the provision of consultancy services for the period of up to two years. As part of this arrangement Mr Cornish is a member of the Boards of North Star BlueScope Steel and Tata BlueScope Steel. He also represents BlueScope on the Executive of AI Group and provides safety leadership across our operations, particularly in Asia. In addition, Mr Cornish provided project management leadership during the commissioning of MCL2 in Indonesia. Mr Cornish was paid $540,000 for the period ending 30 June 2013.

39 Remuneration of auditors

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

(a) Audit services

	Consolidated	
	2013	2012
	$	$
Audit and review of financial statements and other audit work under the Corporations Act 2001:		
Ernst & Young (including overseas Ernst & Young firms)	**4,420,655**	4,735,471

(b) Other services

	Consolidated	
	2013	2012
	$	$
(i) Audit-related assurance services		
Ernst & Young Australian firm:		
Greenhouse gas emissions related assurance	**-**	44,800
Equity raising related assurance	**-**	178,333
Debt funding related assurance	**634,516**	164,403
Restructuring activity related assurance	**-**	175,000
(ii) Other non-audit services		
Ernst & Young Australian firm		
Tax compliance services	**18,443**	74,208
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)		
Tax compliance services	**124,096**	110,187
	777,055	746,931

40 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2013 in respect of:

(i) Outstanding legal matters

	Consolidated	
	2013 **$M**	2012 $M
Contingencies for various legal disputes	**11.2**	10.5
	11.2	10.5

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.

At June 2012, a contingent liability was disclosed for a supplier, seeking damages for alleged breaches of contract totalling approximately $16.5M, plus interest. The initial court held BlueScope Steel not liable for the damages claimed. The supplier appealed the decision and the appellant Court found in the suppliers favour resulting in a $18.8M payment being made by the Company.

Guarantees
In Australia, BlueScope Steel Limited has provided $139.6M (2012: $139.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of $67.9M (2012: $99.1M) 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 2013 totalled $51.1M (2012: $46.1M).

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

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

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

BSL believes that its treatment of the transaction is correct and is supported by both the existing case law and the ATO’s published ruling on sale and leaseback transactions. BSL will defend the assessments and pursue all necessary avenues of objection. However, resolution of this matter is likely to take some time. In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. The $21.2M continues to be recognised as a non-current tax receivable as at 30 June 2013.

40 Contingencies (continued)

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

(b) Contingent assets

Material changes in relation to contingent assets disclosed since 30 June 2012, were as follows:

- In June 2012, a contingent asset was disclosed for the cumulation of workers compensation insurance recoveries. In December 2012, an agreement was reached with the insurers, resulting in $36.6M of claim recoveries being recognised in earnings of which $15.0M has been received (refer to note 6).

41 Commitments

(a) Capital commitments

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

	Consolidated	
	2013	2012
	$M	$M
Property, plant and equipment		
Payable:		
Within one year	**47.9**	47.3
Later than one year but not later than five years	**6.2**	13.6
	54.1	60.9

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

(b) Lease commitments: Group as lessee

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

	Consolidated	
	2013	2012
	$M	$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**94.8**	99.4
Later than one year but not later than five years	**252.7**	263.8
Later than five years	**241.8**	344.2
	589.3	707.4

41 Commitments (continued)

(ii) Finance leases
The Group leases various property, plant and equipment with a carrying amount of $155.9M (2012: $127.0M).

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

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

	Notes	Consolidated 2013 $M	2012 $M
Commitments in relation to finance leases are payable as follows:			
Within one year		**21.1**	18.8
Later than one year but not later than five years		**109.4**	86.0
Later than five years		**169.6**	143.1
Minimum lease payments		**300.1**	247.9
Future finance charges		**(135.0)**	(113.5)
Recognised as a liability		**165.1**	134.4
Representing lease liabilities:			
Current	24	**6.7**	6.3
Non-current	29	**158.4**	128.1
		165.1	134.4

42 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 43.

(c) Key management personnel

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

(d) Transactions with other related parties

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

	Consolidated 2013 $M	2012 $M
Sales of goods and services		
Sales of goods to associates	**5.4**	6.6
Sales of goods to joint venture partnerships	**0.5**	12.4
Interest revenue		
Associates	**0.1**	0.1
Other related parties	**-**	0.1
Superannuation contributions		
Contributions to superannuation funds on behalf of employees	**120.0**	121.3

42 Related party transactions (continued)

(e) Outstanding balances

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

	Consolidated	
	2013 $M	2012 $M
Current receivables (sales of goods and services)		
Joint venture partnerships	**0.2**	1.6
Current receivables (loans)		
Associates	**1.2**	1.1
Current payable (purchase of goods and services)		
Associates	**3.3**	2.7
Joint venture partnerships	**1.8**	-

(f) Loans to/from related parties

	Consolidated	
	2013 $M	2012 $M
Loans to other related parties		
Repayments	**-**	1.0

(g) Terms and conditions

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

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

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

Outstanding balances are unsecured and are repayable in cash.

Other director transactions with Group entities

Transactions with related parties of directors of wholly owned subsidiaries within the BlueScope Steel Group total $1.2M (2012: $1.7M). These transactions have been made on commercial arm's length terms and conditions.

43 Subsidiaries and non-controlling interests

(a) Significant investments in subsidiaries

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

Name of entity	**Note**	**Country of incorporation**	**Equity holding 2013 %**	Equity holding 2012 %
Amari Wolff Steel Pty Ltd	(a)	Australia	**100**	100
Australian Iron & Steel Pty Ltd		Australia	**100**	100
BlueScope Building Solutions Pty Ltd	(a)	Australia	**100**	100
BlueScope Distribution Pty Ltd	(a)	Australia	**100**	100
BlueScope Steel Asia Holdings Pty Ltd		Australia	**100**	100
BlueScope Steel (AIS) Pty Ltd		Australia	**100**	100
BlueScope Steel Employee Share Plan Pty Ltd		Australia	**100**	100
BlueScope Steel (Finance) Ltd		Australia	**100**	100
BlueScope Steel Logistics Co Pty Ltd	(a)	Australia	**100**	100
BlueScope Steel Americas Holdings Pty Ltd		Australia	**100**	100
BlueScope Pty Ltd		Australia	**100**	100
BlueScope Solutions Holdings Pty Ltd	(a)	Australia	**100**	100
Glenbrook Holdings Pty Ltd		Australia	**100**	100
BlueScope Building and Construction Ltd	(a) (e)	Australia	**100**	100
John Lysaght (Australia) Pty Ltd		Australia	**100**	100
Laser Dynamics Australia Pty Ltd	(a)	Australia	**100**	100
Lysaght Building Solutions Pty Ltd	(a)	Australia	**100**	100
Lysaght Design and Construction Pty Ltd	(a)	Australia	**100**	100
Metalcorp Manufacturing Pty Ltd	(a)	Australia	**100**	100
Metalcorp Steel Pty Ltd	(a)	Australia	**100**	100
New Zealand Steel (Aust) Pty Ltd	(a)	Australia	**100**	100
BlueScope Water Australia Pty Ltd	(a)	Australia	**100**	100
Smorgon Steel Distribution Superannuation Fund Pty Ltd	(g)	Australia	**-**	100
The Roofing Centre (Tasmania) Pty Ltd	(a)	Australia	**100**	100
Butler do Brasil Limitada	(g)	Brazil	**100**	100
NS BlueScope Lysaght (B) Sdn Bhd	(b) (e)	Brunei	**30**	60
BlueScope Lysaght (Guangzhou) Ltd	(h)	China	**-**	100
BlueScope Buildings (Guangzhou) Ltd		China	**100**	100
BlueScope Lysaght (Shanghai) Ltd		China	**100**	100
BlueScope Steel (Shanghai) Co Ltd		China	**100**	100
BlueScope Steel Investment Management (Shanghai) Co Ltd		China	**100**	100
BlueScope Lysaght (Langfang) Ltd		China	**100**	100
BlueScope Lysaght (Chengdu) Ltd		China	**100**	100
BlueScope Building Systems (Xi'an) Co Ltd		China	**100**	100
BlueScope Building Engineering and Design (Xi'an) Co.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		China	**100**	100
BlueScope Lysaght Fiji Ltd		Fiji	**64**	64
BlueScope Steel North Asia Ltd		Hong Kong	**100**	100
BlueScope Steel India (Private) Ltd		India	**100**	100
PT NS BlueScope Indonesia	(b) (e)	Indonesia	**50**	100
PT NS BlueScope Lysaght Indonesia	(b) (e)	Indonesia	**50**	100
PT BRC Lysaght Distribution	(b)	Indonesia	**40**	80
BlueScope Steel Transport (Malaysia) Sdn Bhd		Malaysia	**100**	100
NS BlueScope Engineering Systems Sdn Bhd	(b) (e)	Malaysia	**50**	100
NS BlueScope Malaysia Sdn Bhd	(b) (e)	Malaysia	**50**	60
NS BlueScope Lysaght Malaysia Sdn Bhd	(b) (e)	Malaysia	**30**	60
NS BlueScope Lysaght Sabah Sdn Bhd	(b) (e)	Malaysia	**25**	49

43 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Country of incorporation	Equity holding 2013 %	Equity holding 2012 %
NS BlueScope Asia Sdn Bhd	(b) (e)	Malaysia	**50**	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
BlueScope Steel Finance NZ Ltd		New Zealand	**100**	100
Tasman Steel Holdings Ltd		New Zealand	**100**	100
New Zealand Steel Holdings Ltd		New Zealand	**100**	100
New Zealand Steel Ltd		New Zealand	**100**	100
Glenbrook Representatives Ltd		New Zealand	**100**	100
New Zealand Steel Development Ltd		New Zealand	**100**	100
Toward Industries Ltd		New Zealand	**100**	100
Steltech Structural Ltd		New Zealand	**100**	100
BlueScope Steel Trading NZ Ltd		New Zealand	**100**	100
New Zealand Steel Mining Ltd		New Zealand	**100**	100
Waikato North Head Mining Limited		New Zealand	**100**	100
BlueScope Steel International Holdings SA		Panama	**100**	100
BlueScope Steel Philippines Inc		Philippines	**100**	100
BlueScope Buildings (Singapore) Pte Ltd	(f)	Singapore	**100**	-
Steelcap Insurance Pte Ltd		Singapore	**100**	100
NS BlueScope Lysaght Singapore Pte Ltd	(b) (e) (f)	Singapore	**50**	-
NS BlueScope Pte Ltd	(b) (e)	Singapore	**50**	100
NS BlueScope Holdings Thailand Pte Ltd	(b) (f)	Singapore	**50**	-
BlueScope Steel Southern Africa (Pty) Ltd		South Africa	**100**	100
BlueScope Lysaght Taiwan Ltd		Taiwan	**80**	80
NS BlueScope Steel (Thailand) Ltd	(b) (e)	Thailand	**40**	75
Steel Holdings Co Ltd	(b)	Thailand	**50**	100
NS BlueScope Lysaght (Thailand) Ltd	(b) (e)	Thailand	**40**	75
BlueScope Buildings (Thailand) Ltd	(f)	Thailand	**80**	-
BlueScope Steel International Ltd		UK	**100**	100
ASC Profiles LLC	(b) (e)	USA	**50**	100
B H Tank Works Inc		USA	**100**	100
BlueScope Steel Finance (USA) LLC		USA	**100**	100
BlueScope Steel Holdings (USA) Partnership		USA	**100**	100
BlueScope Steel North America Corporation		USA	**100**	100
BlueScope Steel Technology Inc		USA	**100**	100
BlueScope Steel Americas LLC		USA	**100**	100
BlueScope Steel Investments Inc		USA	**100**	100
VSMA Inc		USA	**100**	100
BIEC International Inc		USA	**100**	100
BMC Real Estate Inc		USA	**100**	100
Butler Holdings Inc		USA	**100**	100
BlueScope Construction Inc		USA	**100**	100
Butler Pacific Inc		USA	**100**	100
Steelscape LLC	(b) (e)	USA	**50**	100
Steelscape Washington LLC	(b)	USA	**50**	100
BlueScope Buildings North America Inc		USA	**100**	100
NS BlueScope Holdings USA LLC	(b) (f)	USA	**50**	-
BlueScope Lysaght (Vanuatu) Ltd	(c) (d)	Vanuatu	**39**	39
NS BlueScope Lysaght Vietnam Ltd	(b) (e)	Vietnam	**50**	100
NS BlueScope Vietnam Ltd	(b) (e)	Vietnam	**50**	100

43 Subsidiaries and non-controlling interests (continued)

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

(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) On 28 March 2013, the Group sold 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) as part of the new joint venture established between BlueScope and Nippon Steel & Sumitomo Metal Corporation. As part of the transaction the Group acquired a 50% interest respectively in each of the newly created joint venture holding entities, including NS BlueScope Lysaght Singapore Pte Ltd, NS BlueScope Holdings Thailand Pte Ltd and NS BlueScope Holdings USA LLC. These entities have been classified as controlled entities pursuant to AASB 127 *Consolidated and Separate Financial statements* as the Group continues to retain control and therefore consolidate these investments because of it's unilateral right to appoint the CEO (and other key management personnel), approval of the operating budget and retaining significant decision making authority.

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

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

(e) The following entities changed their name during the year:

New Name	**Old Name**
NS BlueScope Asia Sdn Bhd	BlueScope Steel Asia Sdn Bhd
NS BlueScope Engineering Systems Sdn Bhd	BlueScope Engineering Systems Sdn Bhd
NS BlueScope Lysaght Malaysia Sdn Bhd	BlueScope Lysaght (Malaysia) Sdn Bhd
NS BlueScope Lysaght Sabah Sdn Bhd	BlueScope Lysaght (Sabah) Sdn Bhd
NS BlueScope Malaysia Sdn Bhd	BlueScope Steel (Malaysia) Sdn Bhd
PT NS BlueScope Indonesia	PT BlueScope Steel Indonesia
PT NS BlueScope Lysaght Indonesia	PT BlueScope Lysaght Indonesia
NS BlueScope Lysaght (Thailand) Ltd	BlueScope Lysaght (Thailand) Ltd
NS BlueScope (Thailand) Ltd	BlueScope Steel (Thailand) Ltd
NS BlueScope Lysaght Vietnam Ltd	BlueScope Buildings Vietnam Ltd
NS BlueScope Vietnam Ltd	BlueScope Steel Vietnam Ltd
NS BlueScope Lysaght (B) Sdn Bhd	BlueScope Lysaght (B) Sdn Bhd
NS BlueScope Pte Ltd	BlueScope Steel Asia Pte Ltd
NS BlueScope Lysaght Singapore Pte Ltd	BlueScope Lysaght (Singapore) Pte Ltd
ASC Profiles LLC	ASC Profiles Inc
Steelscape LLC	Steelscape Inc
BlueScope Building and Construction Limited	BlueScope Construction Limited

(f) New entities established during the year.

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

(h) Entity liquidated and deregistered during the period.

43 Subsidiaries and non-controlling interests (continued)

(b) Transactions with non-controlling interests

(i) On 16 August 2012, the Company acquired the remaining 40% interest of BlueScope Steel Malaysia for a purchase consideration of $68.7M.

(ii) On 28 March 2013, BlueScope and Nippon Steel and Sumitomo Metal Corporation formed a joint venture partnership, resulting in the sale of 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) for a sale consideration of $551.4M. As part of this transaction, the Group acquired an additional 5% interest in BlueScope Steel Thailand and BlueScope Lysaght Thailand. The net effect of changes in the ownership interest of these entities on the equity attributable to the owners of BlueScope Steel Limited is summarised as follows:

	Consolidated	
	2013	2012
	$M	$M
(i) Controlled entity acquisition reserve		
Opening balance	**-**	-
Carrying amount of non-controlling interests acquired	**45.7**	-
Consideration paid to non-controlling interests	**(89.3)**	-
Transaction costs	**(0.2)**	-
Amount recognised in non-controlling interests reserve within equity	**(43.8)**	-
Partial disposal of subsidiaries	**21.9**	-
Closing balance	**(21.9)**	-

	Consolidated	
	2013	2012
	$M	$M
(ii) Cash flow reconciliation		
Consideration received from non-controlling interests	**551.4**	-
Consideration paid to non-controlling interests	**(89.3)**	-
Transaction costs - non-controlling interest purchases	**(0.2)**	-
Transaction costs - non-controlling interest sale	**(23.0)**	-
Cash inflow - financing activities	**438.9**	-

	Consolidated	
	2013	2012
	$M	$M
(iii) Gain on sale reconciliation - Asset realisation reserve		
Consideration received from non-controlling interests	**551.4**	-
Transaction costs - non-controlling interest sale (excluding tax)	**(15.4)**	-
Equity reserve disposal	**(21.9)**	-
Goodwill disposed	**(0.7)**	-
Net pre-tax interest in assets disposed to non-controlling interests	**(329.1)**	-
Pre-tax gain recorded in asset realisation reserve	**184.3**	-
Adjust tax:		
Tax balances disposed	**15.9**	-
Tax transaction costs	**(7.6)**	-
Tax gain recorded in asset realisation reserve	**8.3**	-
Post-tax gain recorded in asset realisation reserve	**192.6**	-

43 Subsidiaries and non-controlling interests (continued)

	Consolidated	
	2013	2012
	$M	$M
(iv) Non-controlling interests equity movement		
Net pre-tax assets disposed to non-controlling interests	**329.1**	-
Carrying amount of non-controlling interests acquired	**(45.7)**	-
Exchange translation	**(1.6)**	-
Amount recognised in non-controlling interests within equity	**281.8**	-

44 Deed of cross - guarantee

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

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

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

44 Deed of cross - guarantee (continued)

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2013 of the closed group.

	2013 $M	2012 $M
Statement of comprehensive income		
Revenue	**3,107.1**	4,420.6
Other income	**597.8**	25.3
Changes in inventories of finished goods and work in progress	**20.4**	(164.2)
Raw materials and consumables used	**(1,997.2)**	(2,248.7)
Employee benefits expense	**(530.0)**	(523.8)
Depreciation and amortisation expense	**(78.0)**	(81.7)
Impairment of non-current assets	**32.2**	(221.9)
Freight on external despatches	**(164.4)**	(215.0)
External services	**(271.7)**	(278.8)
Finance costs	**(124.9)**	(167.0)
Other expenses	**(30.6)**	(152.1)
Share of net profits of associate	**-**	0.1
Carbon emission expense	**(2.9)**	-
Profit (loss) before income tax	**557.8**	392.8
Income tax (expense) benefit	**(114.0)**	(490.9)
Net profit (loss) for the period	**443.8**	(98.1)
Items that may be reclassified to profit or loss		
Actuarial gain (loss) on defined benefit superannuation plans	**32.3**	(50.8)
Total comprehensive income for the period	**476.1**	(148.9)

	2013 $M	2012 $M
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	**(1,372.5)**	(337.4)
Net profit (loss) for the year	**443.8**	(98.1)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**32.3**	(50.8)
Dividends provided for or paid	**-**	(886.2)
Retained profits at the end of the financial year	**(896.4)**	(1,372.5)

The Australian consolidated tax group has recognised a $84.6M deferred tax asset at 30 June 2013 (2012: $84.6M). The Australian consolidated tax group has incurred losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of the temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

44 Deed of cross - guarantee (continued)

(b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2013 of the closed group.

	2013 $M	2012 $M
Current assets		
Cash and cash equivalents	**40.7**	28.6
Trade and other receivables	**3,166.8**	3,541.4
Inventories	**463.6**	444.1
Other	**8.3**	10.1
Total current assets	**3,679.4**	4,024.2
Non-current assets		
Receivables	**20.8**	-
Inventories	**18.4**	17.2
Other financial assets	**1,588.1**	1,686.0
Property, plant and equipment	**682.7**	679.8
Deferred tax assets	**84.6**	84.6
Tax receivable	**18.3**	18.3
Intangible assets	**110.2**	113.6
Total non-current assets	**2,523.1**	2,599.5
Total assets	**6,202.5**	6,623.7
Current liabilities		
Payables	**737.6**	860.6
Borrowings	**1,348.3**	2,093.1
Tax liabilities	**-**	18.3
Provisions	**163.0**	173.6
Deferred income	**8.6**	6.4
Total current liabilities	**2,257.5**	3,152.0
Non-current liabilities		
Borrowings	**20.4**	20.4
Provisions	**77.5**	73.1
Retirement benefit obligations	**27.8**	67.1
Deferred income	**24.5**	4.0
Total non-current liabilities	**150.2**	164.6
Total liabilities	**2,407.7**	3,316.6
Net assets	**3,794.8**	3,307.1
Equity		
Contributed equity	**4,650.1**	4,650.1
Reserves	**41.1**	29.5
Retained profits	**(896.4)**	(1,372.5)
Total equity	**3,794.8**	3,307.1

45 Investments in associates

Name of company

	Ownership interest	
	2013	2012
	%	%
Saudi Steel Building Manufacturing Company	**30**	30
Saudi Building Systems Ltd	**30**	30
NS BlueScope Lysaght (Sarawak) Sdn Bhd (i)	**25**	49
SteelServ Limited	**50**	50
McDonald's Lime Ltd	**28**	28
BlueScope Bartlett Liners Pty Ltd	**50**	50
Beacon Pathway Ltd	**20**	20

(i) On 28 March 2013, the Group sold 50% of its interest in the equity accounted investment in BlueScope Lysaght (Sarawak) Sdn Bhd as part of the joint venture establised with Nippon Steel and Sumitomo Metal Corporation. As part of this transaction, the entity changed its name to NS BlueScope Lysaght (Sarawak) Sdn Bhd.

(a) Movements in carrying amounts

	Consolidated	
	2013	2012
	$M	$M
Carrying amount at the beginning of the financial year	**13.1**	13.9
Share of profits after income tax	**3.1**	3.9
Dividends received/receivable	**(3.6)**	(4.9)
Sale of investment (i)	**(1.3)**	-
Currency fluctuation	**0.8**	0.3
Reserve movements	**0.2**	(0.1)
Carrying amount at the end of the financial year	**12.3**	13.1

(b) Contingent liabilities relating to associates

There were no contingent liabilities relating to investments in associates.

46 Interests in joint ventures

(a) Joint venture partnership

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

The interest in North Star BlueScope Steel and Tata BlueScope Steel is accounted for in the consolidated financial statements using the equity method of accounting (refer to note 18). Information relating to the joint venture partnerships is set out below.

	North Star BlueScope Steel		**Tata BlueScope Steel**		**Consolidated**	
	2013 $M	2012 $M	**2013 $M**	2012 $M	**2013 $M**	2012 $M
Share of partnership's assets and liabilities						
Current assets						
Cash and cash equivalents	**11.8**	6.2	**2.1**	5.6	**13.9**	11.8
Receivables	**61.5**	59.6	**24.1**	19.7	**85.6**	79.3
Inventories	**36.8**	42.3	**23.0**	20.9	**59.8**	63.2
Other	**0.4**	0.5	**-**	-	**0.4**	0.5
Non-current assets						
Property plant and equipment	**69.3**	59.7	**101.4**	105.3	**170.7**	165.0
Intangible assets	**-**	-	**0.1**	0.1	**0.1**	0.1
Other	**0.1**	0.1	**-**	-	**0.1**	0.1
Total assets	**179.9**	168.4	**150.7**	151.6	**330.6**	320.0
Current liabilities						
Payables	**43.7**	43.0	**33.2**	31.3	**76.9**	74.3
Borrowings	**-**	-	**-**	87.6	**-**	87.6
Provisions	**14.1**	12.8	**1.3**	1.3	**15.4**	14.1
Non-current liabilities						
Payables	**0.2**	0.1	**-**	-	**0.2**	0.1
Borrowings	**27.0**	39.9	**84.3**	-	**111.3**	39.9
Total liabilities	**85.0**	95.8	**118.8**	120.2	**203.8**	216.0
Net assets	**94.9**	72.6	**31.9**	31.4	**126.8**	104.0
Share of partnership's revenue, expenses and results						
Revenues	**620.7**	683.2	**107.6**	81.5	**728.3**	764.7
Expenses	**551.1**	619.3	**121.2**	96.1	**672.3**	715.4
Profit (loss) before income tax	**69.6**	63.9	**(13.6)**	(14.6)	**56.0**	49.3
Income tax (expense) benefit	**-**	-	**-**	-	**-**	-
Profit (loss) after income tax	**69.6**	63.9	**(13.6)**	(14.6)	**56.0**	49.3
Share of partnerships capital commitments	**-**	4.3	**0.2**	10.3	**0.2**	14.6

46 Interests in joint ventures (continued)

(b) Contingent liabilities relating to joint ventures

Tata BlueScope Steel have imported goods under the Export Promotion Capital Goods Scheme (EPCG), under the Government of India, at the concessional rates of duty with an obligation to fulfill the specified exports. Failure to meet this export obligation within the stipulated timeframe as per Foreign trade policy 2004-09 would result in payment of the aggregate differential duty saved along with interest there on. Tata BlueScope Steel is confident of meeting the obligation and the item has been disclosed as a contingent liability as at 30 June 2013. BlueScope's 50% share of this contingent liability is AUD 6.4M.

(c) Secured liabilities and assets pledged as security

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

(d) Impairment losses

Impairment losses of $2.1M (2012: $1.4M) were recognised in relation to the Group's investment in Castrip LLC (refer to note 7). The Group's 47.5% interest in Castrip resides within the Hot Rolled Products North America segment and has a carrying value of $Nil (2012: $Nil).

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

	Consolidated	
	2013 **$M**	2012 $M
Loss for the year	**(62.6)**	(1,027.9)
Depreciation and amortisation	**315.6**	330.8
Impairment of non-current assets	**2.6**	319.9
Exchange reserve transferred to profit or loss	**-**	0.5
Non-cash employee benefits expense - share-based payments	**11.5**	7.0
Net (gain) loss on sale of subsidiaries	**-**	(29.4)
Net (gain) loss on sale of non-current assets	**(37.3)**	(0.3)
Share of (profits) losses of associates and joint venture partnership	**(59.1)**	(53.2)
Associate and joint venture partnership dividends received	**58.6**	83.4
Change in operating assets and liabilities:		
Decrease (increase) in trade debtors	**72.0**	55.9
Decrease (increase) in other debtors	**(12.7)**	20.4
Decrease (increase) in other operating assets	**(33.4)**	18.9
Decrease (increase) in inventories	**25.6**	634.9
Increase (decrease) in trade creditors	**(49.8)**	(97.1)
Increase (decrease) in other creditors	**1.5**	(3.8)
Increase (decrease) in borrowing costs payable	**(13.2)**	4.8
Increase (decrease) in income taxes payable	**(20.7)**	28.9
Increase (decrease) in deferred tax balances	**(8.6)**	(19.7)
Increase (decrease) in other provisions and liabilities	**(8.4)**	5.5
Other variations	**(20.6)**	(12.1)
Net cash inflow (outflow) from operating activities	**161.0**	267.4

48 Non-cash investing and financing activities

	Consolidated	
	2013	2012
	$M	$M
Acquisition of plant and equipment by means of finance leases (i)	**33.5**	34.8

(i) New Zealand entered into a finance lease agreement for the construction of a new Air Separation Unit (ASU) and have recognised 50% of the value of the finance lease of NZD 31.4M as at 30 June 2013. In the prior period, New Zealand entered into a finance lease agreement for USD 34.2M for the use of equipment associated with the transport of iron sands.

(ii) There were no dividends paid in the current period.

(iii) Details of share-based payments are shown in note 50.

49 Earnings per share

(a) Basic earnings (loss) per share

	Consolidated	
	2013	2012
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(15.4)**	(234.2)
From discontinued operations	**0.3**	(0.4)
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	**(15.1)**	(234.6)

(b) Diluted earnings per share

	Consolidated	
	2013	2012
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(15.1)**	(234.2)
From discontinued operations	**0.3**	(0.4)
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	**(14.8)**	(234.6)

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

	Consolidated	
	2013	2012
	$M	$M
Basic and diluted earnings per share		
Profit (loss) attributable to the ordinary equity holders of the Group used in calculating basic earnings per share:		
From continuing operations	**(85.8)**	(1,041.9)
From discontinued operations	**1.7**	(1.6)
	(84.1)	(1,043.5)

49 Earnings per share (continued)

(d) Weighted average number of shares used as denominator

	Consolidated	
	2013 Number	2012 Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**558,243,305**	444,827,529
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	**11,869,595**	-
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	**570,112,900**	444,827,529

(e) Earnings per share restated

In accordance with AASB 133 *Earnings per Share*, the comparative earnings per share calculations have been restated for the share consolidation undertaken in December 2012. The previously reported June 2012 weighted average number of shares has been adjusted by a division of 6, being the conversion of every 6 shares in the Company into one ordinary share in the Company.

(f) Information on the classification of securities

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

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

Share rights granted to eligible senior managers under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are expected to vest based on current TSR (Total Shareholder Return) ranking as per the 30 June 2013 Remuneration Report. Details relating to the share rights are set out in note 50.

There are 2,440,117 share rights relating to the 2008, 2009, 2010 and 2012 LTIPs that are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2013. These share rights could potentially dilute basic earnings per share in the future.

50 Share-based payments

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

Information relating to these schemes is set out below. Further information is provided in the 30 June 2013 Remuneration Report. Refer to note 1(y)(iv) for the share-based payments accounting policy.

(a) The Long Term Incentive Plan

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

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

Plans have been granted to senior management, all at $Nil exercise price, as outlined below. Further details of each award is provided in the 30 June 2013 Remuneration Report.

Movement of LTIP share and cash rights during the year

Grant date	Expiry date	Balance at start of the year Number	Other changes Number[1]	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
2013								
5 Nov 2007	31 Oct 2012	843,719	(703,099)	-	-	(140,620)	-	-
14 Nov 2007	31 Oct 2012	231,053	(192,544)	-	-	(38,509)	-	-
28 Nov 2008	27 Oct 2013	1,513,396	(1,261,163)	-	-	(36,372)	215,861	-
30 Nov 2009	31 Oct 2014	7,081,431	(5,901,193)	-	-	(276,634)	903,604	-
30 Nov 2010	31 Oct 2015	9,056,181	(7,546,818)	-	-	(143,696)	1,365,667	-
16 Apr 2012	31 Jan 2015	46,313,440	(38,594,533)	-	-	(868,699)	6,850,208	-
1 Sep 2012	31 Oct 2015	-	-	842,116	-	-	842,116	-
1 Sep 2012	31 Oct 2017	-	-	1,367,464	-	-	1,367,464	-
		65,039,220	(54,199,350)	2,209,580	-	(1,504,530)	11,544,920	-

[1] Balance at start of the year adjusted for share consolidation undertaken in December 2012 (refer to note 34(d)).

Grant date	Expiry date	Balance at start of the year Number	Other changes Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2012								
18 Nov 2006	31 Oct 2011	1,180,774	-	-	-	(1,180,774)	-	-
5 Nov 2007	31 Oct 2012	1,186,391	-	-	-	(342,672)	843,719	-
14 Nov 2007	31 Oct 2012	231,053	-	-	-	-	231,053	-
28 Nov 2008	31 Oct 2013	1,938,151	-	-	-	(424,755)	1,513,396	-
30 Nov 2009	31 Oct 2014	7,750,270	-	-	-	(668,839)	7,081,431	-
30 Nov 2010	31 Oct 2015	10,474,550	-	-	-	(1,418,369)	9,056,181	-
16 Apr 2012	31 Jan 2015	-	-	46,313,440	-	-	46,313,440	-
		22,761,189	-	46,313,440	-	(4,035,409)	65,039,220	-

50 Share-based payments (continued)

The average share price during the period for the year ended 30 June 2013 was $3.46 (30 June 2012: $3.20).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 2.1 years (30 June 2012: 2.6 years).

The September 2012 LTIP includes 146,667 cash rights and the April 2012 LTIP includes 520,422 cash rights. The November 2009 LTIP includes 26,333 cash rights, of which 3,327 have been forfeited year to date while the November 2010 LTIP includes 27,667, of which 5,659 have been forfeited year to date. The cash rights have been issued to eligible employees in Asia who are entitled to receive cash bonuses three years from grant date, in place of shares. The fair value of the cash rights is calculated as the sum of the market value of shares and dividends that would have otherwise been received.

Fair value of share rights granted
The assessed fair value at grant date of share rights granted during the year ended 30 June 2013 is detailed below. The fair value at grant date is independently determined for each award using Black-Scholes option pricing model that includes a Monte Carlo simulation analysis. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share rights granted during the years ended 30 June 2013 and 30 June 2012 included:

Plan Details	**September 2012**	**April 2012***
Exercise price ($)	Nil	Nil
Grant date	1 September 2012	16 April 2012
Latest expiry date	31 October 2015	31 January 2015
Share rights granted	695,449	7,198,494
Cash rights granted	146,667	520,422
Fair value estimate at grant date ($)	1.01	1.26
Vesting conditions (i)	TSR ranking	TSR ranking

* The April 2012 share and cash rights have been restated for the share consolidation undertaken in December 2012.

Fair value inputs		
Expected life of share rights (yrs)	Minimum vesting period	Minimum vesting period
Expected dividend yield (%)	2.50	3.00
Expected risk-free interest rate (%)	2.52	3.25
Expected share price volatility (%)	45.00	45.00
Grant date share price ($)	2.01	0.40

(i) The number of rights that vest under each plan are contingent on BlueScope Steel's TSR percentile ranking. The TSR ranking requirements differ for each plan. For further details of vesting conditions refer to the 30 June 2013 Remuneration Report.

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

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

(b) General Employee Share Plans

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

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

50 Share-based payments (continued)

The allocation of GESPs is considered on a year by year basis. At 30 June 2013 the following share plan was outstanding:

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

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

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

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

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

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

(c) Other share grants and rights

On 1 September 2012, 1,367,464 Share Rights were granted to Mr Paul O'Malley, Managing Director and Chief Executive Officer, under the existing terms of his LTI plan. No Share Rights will vest unless the share price is at least $2.40, the price offered to shareholders at the time of the capital raising in November 2011.

During the year ended 30 June 2013 the Board approved an award of share rights and cash rights in a share-based retention plan. Retention rights have a retention hurdle of three years from 1 September 2012, and a minimum share price hurdle of $2.40 for vesting to occur. These retention rights will lapse in circumstances of resignation or termination for cause. The Board retains discretion in other circumstances. A total of 521,585 share rights and 110,000 cash rights were issued to ELT members on 1 September 2012 and 3,984,890 share rights and 255,650 cash rights to non-ELT members on 20 December 2015.

50 Share-based payments (continued)

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

(e) Expense arising from share-based payment transactions

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

	Consolidated	
	2013	2012
	$M	$M
Employee share rights expense	**11.3**	7.0
Employee share awards expense	**0.2**	0.1
Total expense arising from share-based payments	**11.5**	7.1

The carrying amount of the liability relating to share-based payment plans at 30 June 2013 is $2.6M (30 June 2012: $0.3M). This liability represents the deferred cash amounts payable under LTIPs and GESPs.

51 Parent entity financial information

(a) Summary financial information

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

Statement of financial position

	2013 $M	2012 $M
Current assets		
Cash and cash equivalents	**1.2**	0.7
Trade and other receivables	**2,905.5**	3,108.9
Inventories	**286.2**	254.8
Other	**7.1**	8.8
Total current assets	**3,200.0**	3,373.2
Non-current assets		
Inventories	**18.4**	17.2
Other financial assets	**1,565.1**	1,671.0
Deferred tax assets	**84.6**	84.6
Tax receivable	**18.3**	18.3
Property, plant and equipment	**622.2**	615.8
Intangible assets	**44.2**	42.1
Receivables	**20.8**	-
Total non-current assets	**2,373.6**	2,449.0
Total assets	**5,573.6**	5,822.2
Current liabilities		
Payables	**326.7**	433.8
Borrowings	**1,234.4**	1,849.8
Current tax liabilities	**-**	18.3
Provisions	**126.4**	128.1
Deferred income	**4.4**	1.4
Total current liabilities	**1,691.9**	2,431.4
Non-current liabilities		
Borrowings	**12.2**	12.4
Provisions	**56.4**	57.4
Retirement benefit obligations	**27.6**	66.7
Other	**24.5**	4.0
Total non-current liabilities	**120.7**	140.5
Total liabilities	**1,812.6**	2,571.9
Net assets	**3,761.0**	3,250.3
Equity		
Contributed equity	**4,650.1**	4,650.1
Reserves	**41.1**	29.5
Retained profits	**(930.2)**	(1,429.3)
Total equity	**3,761.0**	3,250.3

The Australian consolidated tax group has recognised a $84.6M deferred tax asset at 30 June 2013 (2012: $84.6M). The Australian consolidated tax group has incurred losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of the temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

51 Parent entity financial information (continued)

Statement of comprehensive income

	2013 $M	2012 $M
Revenue	**2,160.8**	2,468.4
Other Income	**597.3**	25.4
Changes in inventories of finished goods and work in progress	**34.3**	(156.0)
Raw materials and consumables used	**(1,286.3)**	(1,436.8)
Employee benefits expense	**(396.7)**	(393.3)
Depreciation and amortisation expense	**(63.9)**	(66.4)
Impairment of non-current assets	**24.2**	(230.6)
Freight on external despatches	**(140.5)**	(190.2)
External services	**(212.7)**	(207.5)
Restructuring costs	**(2.7)**	(82.9)
Carbon emission expense	**(2.9)**	-
Finance cost	**(112.2)**	(151.0)
Other expenses	**(9.2)**	(10.1)
Profit (loss) before income tax	**589.5**	(431.0)
Income tax (expense) benefit	**(122.5)**	(502.7)
Net profit (loss) for the period	**467.0**	(933.7)
Items that may be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**32.1**	(50.5)
Total comprehensive income for the year	**499.1**	(984.2)
Summary of movements in retained profits		
Retained earnings at the beginning of the financial year	**(1,429.3)**	(445.1)
Net profit (loss) for the year	**467.0**	(933.7)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**32.1**	(50.5)
Retained profits at the end of the financial year	**(930.2)**	(1,429.3)

(b) Guarantees entered into by the parent entity

In Australia, the parent entity has given $139.6M (2012: $139.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance and has entered into a deed of cross-guarantee with certain Australian wholly-owned subsidiaries (note 44). Additionally, the parent entity has provided financial guarantees in respect to subsidiaries amounting to:

	Parent entity	
	2013 $M	2012 $M
Bank overdrafts and loans of subsidiaries (unsecured)	**680.4**	1,355.0
Other loans (unsecured)	**323.9**	218.9
Trade finance facilities	**194.3**	259.1
	1,198.6	1,833.0

(c) Capital commitments

As at 30 June 2013, the parent entity had capital commitments of $8.5M (June 2012: $11.7M). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

51 Parent entity financial information (continued)

(d) Tax consolidation legislation

BlueScope Steel Limited and its wholly-owned Australian controlled entities have entered into a tax sharing and funding agreement in relation to their participation in the tax consolidation regime. Under the terms of this agreement, the wholly owned entities reimburse BlueScope Steel Limited for any current tax payable assumed and are compensated by BlueScope Steel 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 require payment of interim funding amounts to assist with its obligations to pay tax instalments.

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

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

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. Intercompany receivables of $31.5M (2012: $1.9M) and intercompany payables of $98.5M (2012: $210.4M) of BlueScope Steel Limited have been recognised as a tax consolidated adjustment.

52 Events occurring after balance date

On 19 August 2013, BlueScope announced it has agreed to acquire two businesses from Hills Holdings Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business. BlueScope will pay $87.5M, largely representing the value of working capital embedded in the respective businesses.

These transactions are subject to Australian Competition and Consumer Commission approval. Completion of the acquisitions is targeted for the end of the December 2013 quarter.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 102 are in accordance with the *Corporations Act 2001*, including:
   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date, and

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

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

(d) The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

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

G J Kraehe, AO
Chairman

Paul O'Malley

P F O'Malley
Managing Director & CEO

Melbourne
19 August 2013

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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 statement of financial position as at 30 June 2013, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

a. the financial report of BlueScope Steel Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)(i).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rodney Piltz

Rodney Piltz
Partner

Melbourne
19 August 2013