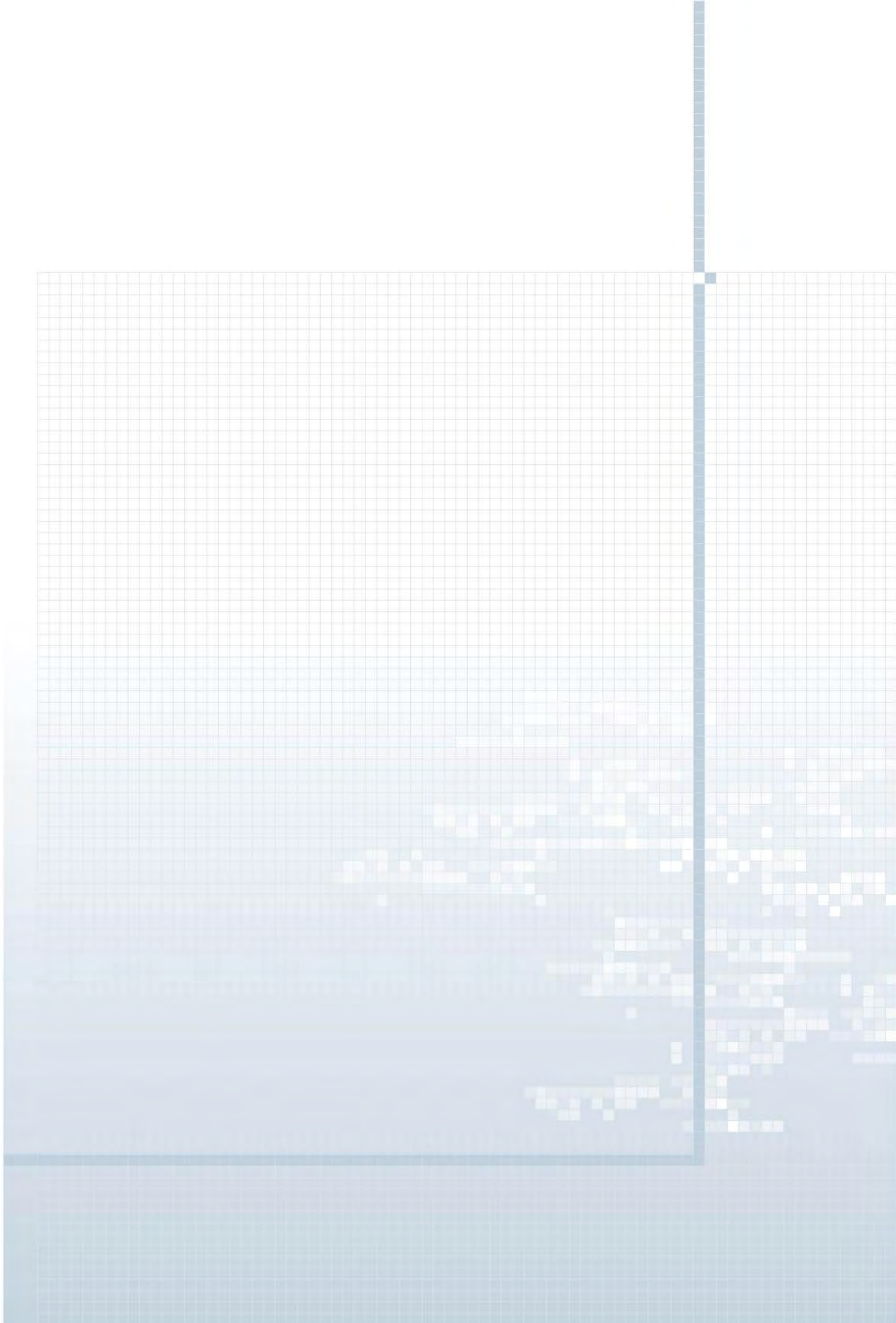




BLUESCOPE STEEL LIMITED
FINANCIAL REPORT 2007/08

**OPPORTUNITY. DIRECTION. DELIVERY.
A BLUEPRINT FOR GROWTH.**



BlueScope Steel Limited

ABN 16 000 011 058

Annual Financial Report - 30 June 2008

Contents

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

BlueScope Steel Limited
Income statements
For the year ended 30 June 2008

	Notes	Consolidated 2008 \$M	2007 \$M	Parent 2008 \$M	2007 \$M
Revenue from continuing operations	6	10,491.8	8,164.5	3,843.6	3,778.0
Other income	7	139.1	19.6	-	7.1
Changes in inventories of finished goods and work in progress		(117.5)	31.5	84.2	81.0
Raw materials and consumables used		(5,254.3)	(3,823.7)	(2,184.3)	(2,173.8)
Employee benefits expense		(1,596.4)	(1,295.9)	(463.7)	(427.1)
Depreciation and amortisation expense	8	(357.1)	(316.6)	(84.0)	(72.3)
Impairment of non-current assets	8	(240.0)	(1.2)	(15.2)	(7.4)
Freight on external despatches		(673.3)	(575.6)	(239.5)	(234.0)
External services		(910.3)	(843.9)	(235.1)	(172.7)
Finance costs	8	(131.2)	(140.7)	(206.5)	(179.5)
Other expenses		(521.4)	(432.4)	(145.4)	(96.5)
Share of net profits of associates and joint venture partnership accounted for using the equity method	47, 48	<u>111.4</u>	<u>161.7</u>	<u>-</u>	<u>-</u>
Profit before income tax		<u>940.8</u>	<u>947.3</u>	<u>354.1</u>	<u>502.8</u>
Income tax (expense) benefit	9	<u>(326.5)</u>	<u>(229.0)</u>	<u>85.6</u>	<u>43.4</u>
Profit from continuing operations		<u>614.3</u>	<u>718.3</u>	<u>439.7</u>	<u>546.2</u>
Loss from discontinued operations after income tax	10	<u>(2.0)</u>	<u>(15.3)</u>	<u>-</u>	<u>-</u>
Profit for the year after income tax		<u>612.3</u>	<u>703.0</u>	<u>439.7</u>	<u>546.2</u>
Profit is attributable to:					
Equity holders of BlueScope Steel Limited		596.2	685.6	439.7	546.2
Minority interest		<u>16.1</u>	<u>17.4</u>	<u>-</u>	<u>-</u>
		<u>612.3</u>	<u>703.0</u>	<u>439.7</u>	<u>546.2</u>
		Cents	Cents		
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company					
Basic earnings per share	51	80.4	97.4		
Diluted earnings per share	51	79.9	96.7		
		Cents	Cents		
Earnings per share for profit attributable to the ordinary equity holders of the Company					
Basic earnings per share	51	80.1	95.3		
Diluted earnings per share	51	79.7	94.6		

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

BlueScope Steel Limited
Balance sheets
As at 30 June 2008

		Consolidated		Parent	
	Notes	2008	2007	2008	2007
		\$M	\$M	\$M	\$M
ASSETS					
Current assets					
Cash and cash equivalents	11	44.1	36.4	0.1	0.1
Receivables	12	1,497.3	1,219.4	2,230.5	2,731.9
Inventories	13	1,600.1	1,212.3	389.4	319.1
Derivative financial instruments	14	4.9	7.7	-	1.1
Available-for-sale financial assets	15	-	476.5	-	-
Other	16	54.8	56.0	4.0	9.9
Total current assets		<u>3,201.2</u>	<u>3,008.3</u>	<u>2,624.0</u>	<u>3,062.1</u>
Non-current assets					
Receivables	17	39.9	49.5	0.9	2.1
Retirement benefit assets	18	-	59.9	-	23.9
Inventories	19	59.7	58.8	21.7	25.8
Investments accounted for using the equity method	20	254.4	301.3	-	-
Other financial assets	21	-	-	2,585.9	1,834.0
Property, plant and equipment	22	3,807.3	3,670.7	869.8	899.0
Deferred tax assets	23	99.4	136.1	-	-
Intangible assets	24	998.6	220.9	19.2	19.0
Other	25	5.7	0.7	1.1	0.5
Total non-current assets		<u>5,265.0</u>	<u>4,497.9</u>	<u>3,498.6</u>	<u>2,804.3</u>
Total assets		<u>8,466.2</u>	<u>7,506.2</u>	<u>6,122.6</u>	<u>5,866.4</u>
LIABILITIES					
Current liabilities					
Payables	26	1,282.0	878.8	411.2	306.6
Interest bearing liabilities	27	1,082.1	633.0	2,326.3	2,551.7
Current tax liabilities	28	156.3	56.7	133.9	27.3
Provisions	29	493.6	477.5	170.7	154.4
Deferred income	30	106.3	70.9	2.9	6.0
Derivative financial instruments	14	-	2.5	-	-
Total current liabilities		<u>3,120.3</u>	<u>2,119.4</u>	<u>3,045.0</u>	<u>3,046.0</u>
Non-current liabilities					
Payables	31	7.5	2.0	-	-
Interest bearing liabilities	32	683.7	905.1	150.0	192.1
Deferred tax liabilities	33	308.4	317.0	8.9	44.4
Provisions	34	200.1	168.3	54.2	35.9
Retirement benefit obligations	35	204.4	127.3	2.7	-
Derivative financial instruments	14	-	2.1	-	-
Total non-current liabilities		<u>1,404.1</u>	<u>1,521.8</u>	<u>215.8</u>	<u>272.4</u>
Total liabilities		<u>4,524.4</u>	<u>3,641.2</u>	<u>3,260.8</u>	<u>3,318.4</u>
Net assets		<u>3,941.8</u>	<u>3,865.0</u>	<u>2,861.8</u>	<u>2,548.0</u>
EQUITY					
Contributed equity	36	2,151.2	1,896.0	2,151.2	1,896.0
Reserves	37(a)	(281.6)	7.0	13.7	16.8
Retained profits	37(b)	1,997.5	1,894.7	696.9	635.2
Parent entity interest		3,867.1	3,797.7	2,861.8	2,548.0
Minority interest		<u>74.7</u>	<u>67.3</u>	<u>-</u>	<u>-</u>
Total equity		<u>3,941.8</u>	<u>3,865.0</u>	<u>2,861.8</u>	<u>2,548.0</u>

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

BlueScope Steel Limited
Statements of recognised income and expense
For the year ended 30 June 2008

	Notes	Consolidated 2008 \$M	2007 \$M	Parent 2008 \$M	2007 \$M
Cash flow hedges:	37(a)				
Gains (losses) taken to equity		(1.4)	(7.1)	(8.7)	(0.6)
Transferred to inventory		9.3	5.8	7.6	1.7
Net unrealised gain (loss) on available-for-sale financial assets	37(a)	(29.2)	157.2	-	-
Net realised (gain) loss on available-for-sale financial assets transferred to the income statement	37(a)	(128.0)	-	-	-
Net gains (losses) on hedges of net investments	37(a)	160.4	(91.7)	-	-
Exchange differences on translation of foreign operations		(301.2)	26.4	-	-
Exchange differences realised on disposal of businesses / subsidiaries transferred to the income statement		0.5	22.2	-	-
Actuarial gains (losses) on defined benefit plans	37(b)	(175.1)	70.1	(33.4)	6.3
Income tax on items taken directly to or transferred from equity	9	33.2	(26.1)	10.3	(2.2)
Net income (expense) recognised directly in equity		(431.5)	156.8	(24.2)	5.2
Profit (loss) for the year		612.3	703.0	439.7	546.2
Total recognised income and expense for the year		180.8	859.8	415.5	551.4
Total recognised income and expense for the year is attributable to:					
Members of BlueScope Steel Limited		171.1	844.3	415.5	551.4
Minority interest		9.7	15.5	-	-
		180.8	859.8	415.5	551.4

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

BlueScope Steel Limited
Cash flow statements
For the year ended 30 June 2008

		Consolidated		Parent	
	Notes	2008	2007	2008	2007
		\$M	\$M	\$M	\$M
Cash flows from operating activities					
Receipts from customers		11,060.6	9,294.1	3,487.2	3,259.2
Payments to suppliers and employees		(9,587.9)	(8,144.6)	(3,315.8)	(3,283.8)
		1,472.7	1,149.5	171.4	(24.6)
Dividends received		17.8	27.2	601.7	659.8
Joint venture partnership distributions received		128.8	145.4	-	-
Interest received		6.6	5.5	64.1	80.9
Other revenue		28.4	21.6	15.7	14.0
Finance costs paid		(143.1)	(156.0)	(206.6)	(185.4)
Income taxes (paid) received		(207.6)	(228.8)	64.8	16.1
Net cash (outflow) inflow from operating activities	49	1,303.6	964.4	711.1	560.8
Cash flows from investing activities					
Payment for subsidiaries, net of cash acquired	44	(1,549.8)	(8.5)	(749.9)	-
Capital injection in controlled subsidiaries		-	-	-	(2.6)
Disposal of subsidiary into joint venture partnership, net of cash disposed		(0.3)	-	-	-
Payments for property, plant and equipment		(393.6)	(399.6)	(75.1)	(106.7)
Payments for intangibles		(12.6)	(13.8)	(1.2)	(1.4)
Payments for investment in joint venture partnership		(21.5)	(30.4)	-	-
Payments for investment in business assets		(1.0)	(11.0)	-	-
Payments for available-for-sale financial assets		-	(319.3)	-	-
Proceeds from sale of property, plant and equipment		6.4	48.2	2.0	33.4
Proceeds from sale of business assets		-	216.9	-	-
Proceeds from redemption of investments		458.7	-	-	-
Loans to related parties		-	(29.4)	-	-
Repayment of loans by related parties		3.9	5.5	-	-
Net cash (outflow) inflow from investing activities		(1,509.8)	(541.4)	(824.2)	(77.3)
Cash flows from financing activities					
Proceeds from issues of shares		124.1	124.8	124.1	124.8
Proceeds from borrowings		10,911.8	11,555.8	149.0	2,144.2
Financing of related entities		-	-	423.6	(682.3)
Repayment of borrowings		(10,580.8)	(11,912.0)	(334.0)	(1,847.1)
Dividends paid to Company's shareholders	38(d)	(249.6)	(223.1)	(249.6)	(223.1)
Dividends paid to minority interests in subsidiaries		(2.3)	(1.3)	-	-
Capital injection by minority interests in subsidiaries		-	2.2	-	-
Net cash inflow (outflow) from financing activities		203.2	(453.6)	113.1	(483.5)
Net increase (decrease) in cash and cash equivalents		(3.0)	(30.6)	-	-
Cash and cash equivalents at the beginning of the financial year		26.9	59.0	0.1	0.1
Effects of exchange rate changes on cash and cash equivalents		(4.3)	(1.5)	-	-
Cash and cash equivalents at end of year	11	19.6	26.9	0.1	0.1
Financing arrangements	32				
Non-cash investing and financing activities	50				

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

Contents of the notes to the financial statements

	Page
1 Summary of significant accounting policies	7
2 Corporate information	20
3 Financial risk management	21
4 Critical accounting estimates and judgements	30
5 Segment information	32
6 Revenue	36
7 Other income	36
8 Expenses	37
9 Income tax expense	39
10 Discontinued operations	42
11 Current assets - Cash and cash equivalents	44
12 Current assets - Receivables	45
13 Current assets - Inventories	47
14 Derivative financial instruments	47
15 Current assets - Available-for-sale financial assets	49
16 Current assets - Other	49
17 Non-current assets - Receivables	50
18 Non-current assets - Retirement benefit assets	50
19 Non-current assets - Inventories	51
20 Non-current assets - Investments accounted for using the equity method	51
21 Non-current assets - Other financial assets	51
22 Non-current assets - Property, plant and equipment	52
23 Non-current assets - Deferred tax assets	54
24 Non-current assets - Intangible assets	55
25 Non-current assets - Other	58
26 Current liabilities - Payables	58
27 Current liabilities - Interest bearing liabilities	58
28 Current liabilities - Current tax liabilities	59
29 Current liabilities - Provisions	59
30 Current liabilities - Deferred income	60
31 Non-current liabilities - Payables	60
32 Non-current liabilities - Interest bearing liabilities	60
33 Non-current liabilities - Deferred tax liabilities	63
34 Non-current liabilities - Provisions	63
35 Non-current liabilities - Retirement benefit obligations	65
36 Contributed equity	69
37 Reserves and retained profits	71
38 Dividends	74
39 Key management personnel disclosures	75
40 Remuneration of auditors	79
41 Contingencies	79
42 Commitments	80
43 Related party transactions	82
44 Business combination	84
45 Subsidiaries	87
46 Deed of cross-guarantee	90
47 Investments in associates	93
48 Interests in joint ventures	94
49 Reconciliation of profit after income tax to net cash inflow from operating activities	95
50 Non-cash investing and financing activities	95
51 Earnings per share	96
52 Share-based payments	97
53 Events occurring after the balance sheet date	100

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

Compliance with IFRS

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board.

Adoption of new accounting standard

The Group has adopted AASB 7 *Financial Instruments: Disclosures* and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected the disclosure in these financial statements. There has been no effect on profit and loss or the financial position of the entity.

Early adoption of new accounting standards

AASB 8 *Operating Segments* replaces AASB 114 *Segment Reporting* and was early adopted by the Group in 2008. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer for BlueScope Steel Limited. Comparatives for 2007 have been restated.

Historical cost convention

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

Critical accounting estimates

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

(b) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations are set out below.

(i) AASB 123 (Revised) *Borrowing Costs* and AASB 2007-6 *Amendments to Australian Accounting Standards arising from AASB 123* [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(ii) AASB-I 14 *The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. It provides guidance on the maximum amount that may be recognised as an asset in relation to a defined benefit plan and the impact of minimum funding requirements on such an asset. AASB-I 14 will not have any impact on the Group's financial statements.

(iii) AASB 101 (Revised) *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101*

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or reclassified items in the financial statements, it will need to disclose a balance sheet (statement of financial position) as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

1 Summary of significant accounting policies (continued)

(iv) *AASB 3 (Revised) Business Combinations*

A revised AASB 3 will be effective for annual reporting periods commencing on or after 1 July 2009. The revised standard introduces a number of changes to accounting for business combinations, the most significant of which is the expensing of acquisition costs as incurred and a choice offered on business combinations to measure non-controlling interests (minority interests) in the acquiree at either fair value or at its proportional interest in the acquiree's net assets. This choice will effect the mechanics of the goodwill calculation and the extent of goodwill recognised in relation to business combinations containing minority interests. These changes will be only be applied prospectively to business combinations.

(v) *AASB 127 (Revised) Consolidated and Separate Financial Statements*

A revised AASB 127 will be effective for annual reporting periods commencing on or after 1 January 2009. Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.

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

- *AASB-I 12 Service Concession Arrangements;*
- *AASB-I 129 Service Concession Arrangements: Disclosures;*
- *AASB-I 13 Customer Loyalty Programmes;*
- *AASB 2007-1 Amendments to Australian Accounting Standards arising from AASB Interpretation 12;*
- *AASB 1049 Whole of Government and General Government Sector Financial Reporting;*
- *AASB 1050 Administered Items;*
- *AASB 1051 Land Under Roads;*
- *AASB 1052 Disaggregated Disclosures;*
- *AASB 1004 Contributions;*
- *AASB 2008-1 Amendments to Australian Accounting Standard - Share-based Payments: Vesting Conditions and Cancellations;*
- *AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation;*
- *AASB 2007-9 Amendments to Australian Accounting Standards arising from the review of AAS 27, AAS 29, AAS 31 and revised interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities;*
- *IFRIC 15 Agreements for the Construction of Real Estate; and*
- *IFRIC 16 Hedges of a Net Investment in a Foreign Operation.*

(c) Principles of consolidation

(i) *Subsidiaries*

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('Company' or 'parent entity') as at 30 June 2008 and the results of all subsidiaries for the year then ended. BlueScope Steel Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(ii) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 47).

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

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

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

(iii) Joint venture entities

The interest in joint venture partnerships are accounted for in the consolidated financial statements using the equity method and are carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnership is recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet. Details relating to partnerships are set out in note 48.

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

(d) Segment reporting

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

(e) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

1 Summary of significant accounting policies (continued)

(iii) Group companies

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

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

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

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

(f) Revenue recognition

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

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

(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 Company is no longer responsible for the product. The point at which title is transferred is dependent upon the specific terms and conditions of the contract under the sale.

(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 on a time proportion basis using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

(iv) Dividends

Dividends are recognised when the right to receive payment is established.

(g) Income tax and other taxes

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

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

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

1 Summary of significant accounting policies (continued)

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

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

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

Other taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- trade receivables and trade payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of other receivables or other payables in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as part of operating cash flows.

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

Tax consolidation legislation

BlueScope Steel Limited and its wholly-owned Australian controlled entities have adopted 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 9.

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

(h) Leases

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

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

1 Summary of significant accounting policies (continued)

(i) Business combinations

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

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

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

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

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

(j) Impairment of assets

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

Refer to note 22 for detail of impairment losses recognised in the current period.

Refer to note 24 for detail of allocation of goodwill to CGUs and impairment testing methodology.

(k) Cash and cash equivalents

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

(l) Trade receivables

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

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

1 Summary of significant accounting policies (continued)

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

(m) Inventories

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

(i) Raw materials and stores

Purchase cost on a first-in first-out basis. Purchase cost includes the transfer from equity of any gains/losses on qualifying cash flow hedges relating to the purchase of raw materials.

(ii) Finished goods and work in progress

Cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

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 estimated costs of completion and the estimated costs necessary to make the sale.

(n) Investments and other financial assets

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

Classification

The Group classifies its investments 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 re-evaluates this designation at 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.

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

(iv) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. 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.

1 Summary of significant accounting policies (continued)

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 the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

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

Subsequent measurement

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

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

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

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

Impairment

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

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

(o) Derivatives and hedging activities

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

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

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

1 Summary of significant accounting policies (continued)

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 14. Movements in the hedging reserve in shareholders' equity are shown in note 37. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedges

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

(ii) Cash flow hedges

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

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

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

(iii) Net investment hedges

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

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

(p) Property, plant and equipment

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

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

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis to allocate their cost over their estimated useful lives, as follows:

<i>Category</i>	<i>Useful life</i>
Buildings	Up to 40 years
Plant, machinery and equipment	Up to 30 years

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

1 Summary of significant accounting policies (continued)

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

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

(q) Intangible assets

(i) Goodwill

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

Goodwill is allocated to a cash-generating unit or group of cash-generating units, for the purpose of impairment testing (note 24).

(ii) Patents, trademarks and other rights

Patents, trademarks and other rights are carried at cost less accumulated amortisation and impairment losses. Amortisation 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 do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over the period of expected benefit.

(iv) IT development software

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

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

(v) Customer relationships

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

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

(r) 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. 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.

1 Summary of significant accounting policies (continued)

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

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

(s) Trade and other payables

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

(t) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

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

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

(u) Borrowing costs

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

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

(v) Provisions

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

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

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

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

1 Summary of significant accounting policies (continued)

(w) Employee benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities arising in respect of wages and salaries, annual leave and other employee benefits expected to be settled within 12 months of the reporting date are measured at their nominal amounts based on remuneration rates which are expected to be paid when the liability is settled. Non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Long service leave

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

(iii) Retirement benefit obligations

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

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

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

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, outside profit or loss in the statement of recognised income and expense.

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

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

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

(iv) Share-based payments

The Group provides benefits in the form of share-based payment transactions to employees. Information relating to these schemes is set out in note 52 and the 30 June 2008 Remuneration Report.

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

- ***The Employee Share Plan ('ESP')***
ESP is a share awards program which, at the determination of the Board, issues eligible employees with a grant of ordinary BlueScope Steel shares (or a reward of equal value in countries where the issue of shares is not practicable). The allocation of ESP is considered on a year-by-year basis.
- ***The Long Term Incentive Plan ('LTIP')***
LTIP is a share rights program which, at the determination of the Board, provides eligible senior managers with the right to receive ordinary BlueScope Steel shares at a later date subject to the satisfaction of certain performance criteria. The decision to issue a LTIP share rights program is made annually.
- ***Special Share Grants and Rights***
Special share grants and rights are awarded by the Board from time to time to meet specific or exceptional demands.

1 Summary of significant accounting policies (continued)

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

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

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

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

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

(v) Short-term incentive plans (STI)

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

(vi) Employee benefit on-costs

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

(vii) Termination benefits

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

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

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

(x) Contributed equity

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

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

(y) Dividends

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

1 Summary of significant accounting policies (continued)

(z) Earnings per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

(aa) Restructuring costs

(i) Restructuring and the closure of an operation

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

(ii) Restructuring and the sale of an operation

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

(iii) Restructuring and acquisitions through a business combination

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

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

(ab) Rounding of amounts

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

2 Corporate information

The financial report of BlueScope Steel Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 15 August 2008.

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

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

3 Financial risk management

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

		Loans and receivables	Derivative Instruments		Financial liabilities at amortised cost	Available- for-sale financial assets	Total carrying amount
			Designated as hedges	Held for trading			
Consolidated - 30 June 2008	Notes	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets							
Receivables (current)	12	1,497.3	-	-	-	-	1,497.3
Receivables (non-current)	17	39.9	-	-	-	-	39.9
Derivative financial instruments	14	-	4.9	-	-	-	4.9
Financial liabilities							
Payables (current)	26	-	-	-	(1,282.0)	-	(1,282.0)
Payables (non-current)	31	-	-	-	(7.5)	-	(7.5)
Interest bearing liabilities (current)	27	-	-	-	(1,082.1)	-	(1,082.1)
Interest bearing liabilities (non-current)	32	-	-	-	(683.7)	-	(683.7)
		1,537.2	4.9	-	(3,055.3)	-	(1,513.2)

		Loans and receivables	Derivative Instruments		Financial liabilities at amortised cost	Available- for-sale financial assets	Total carrying amount
			Designated as hedges	Held for trading			
Consolidated - 30 June 2007	Notes	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets							
Receivables (current)	12	1,219.4	-	-	-	-	1,219.4
Receivables (non-current)	17	49.5	-	-	-	-	49.5
Derivative financial instruments	14	-	1.1	6.6	-	-	7.7
Available-for-sale financial assets	15	-	-	-	-	476.5	476.5
Financial liabilities							
Payables (current)	26	-	-	-	(878.8)	-	(878.8)
Payables (non-current)	31	-	-	-	(2.0)	-	(2.0)
Derivative financial instruments	14	-	(4.6)	-	-	-	(4.6)
Interest bearing liabilities (current)	27	-	-	-	(633.0)	-	(633.0)
Interest bearing liabilities (non-current)	32	-	-	-	(905.1)	-	(905.1)
		1,268.9	(3.5)	6.6	(2,418.9)	476.5	(670.4)

3 Financial risk management (continued)

		Loans and receivables	Derivative Instruments		Financial liabilities at amortised cost	Available- for-sale financial assets	Total carrying amount
			Designated as hedges	Held for trading			
Parent - 30 June 2008	Notes	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets							
Receivables (current)	12	2,230.5	-	-	-	-	2,230.5
Receivables (non-current)	17	0.9	-	-	-	-	0.9
Financial liabilities							
Payables (current)	26	-	-	-	(411.2)	-	(411.2)
Payables (non-current)	31	-	-	-	-	-	-
Interest bearing liabilities (current)	27	-	-	-	(2,326.3)	-	(2,326.3)
Interest bearing liabilities (non-current)	32	-	-	-	(150.0)	-	(150.0)
		<u>2,231.4</u>	<u>-</u>	<u>-</u>	<u>(2,887.5)</u>	<u>-</u>	<u>(656.1)</u>
		Loans and receivables	Derivative Instruments		Financial liabilities at amortised cost	Available- for-sale financial assets	Total carrying amount
			Designated as hedges	Held for trading			
Parent - 30 June 2007	Notes	\$M	\$M	\$M	\$M	\$M	\$M
Financial assets							
Receivables (current)	12	2,731.9	-	-	-	-	2,731.9
Receivables (non-current)	17	2.1	-	-	-	-	2.1
Derivative financial instruments	14	-	1.1	-	-	-	1.1
Financial liabilities							
Payables (current)	26	-	-	-	(306.6)	-	(306.6)
Interest bearing liabilities (current)	27	-	-	-	(2,551.7)	-	(2,551.7)
Interest bearing liabilities (non-current)	32	-	-	-	(192.1)	-	(192.1)
		<u>2,734.0</u>	<u>1.1</u>	<u>-</u>	<u>(3,050.4)</u>	<u>-</u>	<u>(315.3)</u>

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

3 Financial risk management (continued)

Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the financial risk management framework. The Board approves written policies for overall financial risk management, covering market risks, 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 over the use of derivatives and does not permit their use for speculative purposes.

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

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

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

(a) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's and parent entity'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 security, will fluctuate due to changes in interest rates. Exposure to interest rate risk arises due to holding floating rate interest bearing liabilities, investments in cash and cash equivalents and loans to related parties.

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

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

Sensitivity disclosure analysis

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Financial assets				
Cash and cash equivalents	44.1	36.4	0.1	0.1
Receivables - related parties	-	-	1,312.2	1,854.5
	<u>44.1</u>	<u>36.4</u>	<u>1,312.3</u>	<u>1,854.6</u>
Financial liabilities				
Interest bearing liabilities - external	1,231.0	918.1	-	148.0
Interest bearing liabilities - related parties	-	-	2,284.2	2,366.7
	<u>1,231.0</u>	<u>918.1</u>	<u>2,284.2</u>	<u>2,514.7</u>
Net exposure	<u>1,186.9</u>	<u>(881.7)</u>	<u>(971.9)</u>	<u>(660.1)</u>

3 Financial risk management (continued)

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

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Consolidated				
+ 50 basis points	(4.2)	(3.1)	(4.2)	(3.1)
- 50 basis points	4.2	3.1	4.2	3.1
Parent				
+ 50 basis points	(3.4)	(2.3)	(3.4)	(2.3)
- 50 basis points	3.4	2.3	3.4	2.3

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

Subsequent to 30 June 2008, the Company completed a US Private Placement Note issue of USD 325M (fixed rate borrowings). The proceeds of the issue were used to repay a portion of the bridging facility (floating rate borrowings) used to fund the acquisition of IMSA Steel Corp.

(ii) Currency risk

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

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

In addition, the parent entity has undertaken hedges for part of its future commodity zinc purchases. The zinc hedge, being a financial instrument, exposes the parent entity to currency risk as it is denominated in USD. However, this simply replaces the USD currency risk already present in the underlying commodity zinc purchases. The parent entity completed its zinc hedging program in June 2008.

3 Financial risk management (continued)

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Financial assets				
Cash and cash equivalents	0.8	0.8	-	-
Derivatives	-	1.1	-	1.1
Trade and other receivables	<u>314.6</u>	<u>155.6</u>	<u>112.3</u>	<u>60.3</u>
	<u>315.4</u>	<u>157.5</u>	<u>112.3</u>	<u>61.4</u>
Financial liabilities				
Trade and other payables	23.6	31.8	9.1	-
Interest bearing liabilities	<u>1,124.9</u>	<u>369.5</u>	<u>-</u>	<u>-</u>
	<u>1,148.5</u>	<u>401.3</u>	<u>9.1</u>	<u>-</u>
Net exposure	<u>(833.1)</u>	<u>(243.8)</u>	<u>(103.2)</u>	<u>61.4</u>

This exposure for the Group does not reflect the natural hedge of USD assets of AUD 959M (2007: AUD 341M) against USD interest bearing liabilities.

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

Sensitivity disclosure analysis

The table below summarises the impact of +/- 10% weakening/strengthening of the AUD against the USD on the Group and parent's post tax profit for the year and on equity. The analysis is based on the assumption that the AUD has weakened/strengthened by 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 five-year historical basis.

	Post-tax profit		Equity	
	higher (lower)		higher (lower)	
Judgement of reasonably possible movements:	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Consolidated				
AUD/USD +10%	52.7	15.8	52.7	15.8
AUD/USD -10%	(64.5)	(19.3)	(64.5)	(19.3)
Parent				
AUD/USD +10%	(6.6)	3.9	(6.6)	3.9
AUD/USD -10%	8.0	(4.8)	8.0	(4.8)

3 Financial risk management (continued)

(iii) Other price risk

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

The BlueScope Steel 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 cashflow. The primary limitation is that the Group's most significant price risk is international steel prices, particularly hot rolled coil and slab. The current absence of a derivative market for steel prices means that any hedging program for other price risks is likely to have an immaterial effect on reducing cash flow at risk, as steel prices, the primary driver of cash flows, would remain unhedged.

1. Commodity price risk

The Group and parent entity are exposed to price risk on steel that it produces, purchased steel feed and on the commodities that it utilises in its production processes, in particular iron ore, coal, scrap, zinc, aluminium and electricity. Although the Group and parent entity are economically exposed to commodity price risk of its above mentioned inputs, 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.

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

The value of the zinc and electricity hedges is influenced by the price of zinc and electricity respectively. As these are financial instruments, they expose the Group and the parent entity 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 zinc and 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.

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Consolidated				
Zinc price +15%	-	-	-	2.1
Zinc price -15%	-	-	-	(2.1)
Electricity price +50%	-	-	1.6	2.3
Electricity price -50%	-	-	(1.6)	(2.3)
Parent				
Zinc price +15%	-	-	-	2.1
Zinc price -15%	-	-	-	(2.1)

The Group's currency risk exposure as a result of the zinc hedge is discussed above in note 3(a)(ii).

3 Financial risk management (continued)

2. Equity price risk

Equity securities price risk is the risk that the fair value or future cash flows of a financial investment may fluctuate because of the changes in market prices. The Group's exposure to equity securities price risk arose only at the consolidated level in the 2007 financial period. The risk stemmed from its investment in the listed shares of Smorgon Steel Limited and its holding of a range of equity swaps which were subsequently disposed of following the acquisition of the Smorgon Steel distribution business on 3 August 2007 (refer to note 15 for more details). The investment was held for strategic purposes as the Group does not typically invest in quoted and unquoted equity investments.

The net after tax gain on the Smorgon Steel Limited investment and equity swaps at 30 June 2007 was \$110.0M and \$5.0M respectively. The realised after tax gain on disposal of the Smorgon Steel investment and equity swaps in August 2007 was \$89.6M and \$3.1M respectively.

(b) Liquidity risk

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

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

The Group and parent's exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. There are also no significant concentrations of liquidity risk.

(i) Contractual maturity analysis

The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities at 30 June 2007 and 30 June 2008. 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 on the balance sheet.

Consolidated - 30 June 2008

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

Consolidated - 30 June 2007

	Contractually maturing in:						Total
	less than 1 year \$M	1 - 2 years \$M	2 - 3 years \$M	3 - 4 years \$M	4 - 5 years \$M	>5 years \$M	
Payables (current & non-current)	878.8	2.0	-	-	-	-	880.8
Interest bearing liabilities (current & non-current)	719.8	331.1	102.8	199.0	188.8	271.7	1,813.2
Derivative financial instruments	2.5	2.1	-	-	-	-	4.6
	<u>1,601.1</u>	<u>335.2</u>	<u>102.8</u>	<u>199.0</u>	<u>188.8</u>	<u>271.7</u>	<u>2,698.6</u>

3 Financial risk management (continued)

Parent - 30 June 2008

		Contractually maturing in:					
	less than 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)	411.2	-	-	-	-	-	411.2
Interest bearing liabilities (current & non-current)	2,349.4	64.7	64.7	48.9	-	-	2,527.7
Derivative financial instruments	-	-	-	-	-	-	-
	<u>2,760.6</u>	<u>64.7</u>	<u>64.7</u>	<u>48.9</u>	<u>-</u>	<u>-</u>	<u>2,938.9</u>

Parent - 30 June 2007

		Contractually maturing in:					
	less than 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)	306.6	-	-	-	-	-	306.6
Interest bearing liabilities (current & non-current)	2,580.1	64.7	64.7	64.7	48.9	-	2,823.1
Derivative financial instruments	1.1	-	-	-	-	-	1.1
	<u>2,887.8</u>	<u>64.7</u>	<u>64.7</u>	<u>64.7</u>	<u>48.9</u>	<u>-</u>	<u>3,130.8</u>

(c) Credit risk

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

To manage this risk, the Group and parent:

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

The maximum exposure of the Group's and parent's credit risk is represented by the carrying amount of the financial assets it holds (without taking account of the value of any collateral obtained), reduced by the effects of any netting arrangements with financial institution counterparties. As at 30 June 2008, the Group and parent entity held minimal amounts of collateral as security relating to any of their financial assets (30 June 2007: Nil).

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

(i) Concentrations of risk

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

Counterparties

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

3 Financial risk management (continued)

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

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

Geographical

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

As mentioned previously, selected receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and Atradius Credit Insurance N.V.

(ii) Renegotiations and amounts past due and not impaired

The Group and parent entity do not typically renegotiate the terms of trade receivables. However, should a renegotiation occur, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 30 June 2008 (30 June 2007: Nil) for the Group and parent.

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

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

(d) Fair value

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

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

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

Group	30 June 2008		30 June 2007	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial assets</i>				
Other receivables	20.0	21.9	23.9	27.4
<i>Non-traded financial liabilities</i>				
Other loans	<u>541.1</u>	<u>595.4</u>	<u>627.3</u>	<u>678.2</u>
Net asset (liability)	<u>(521.1)</u>	<u>(573.5)</u>	<u>(603.4)</u>	<u>(650.8)</u>

3 Financial risk management (continued)

Parent entity	30 June 2008		30 June 2007	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial liabilities</i>				
Other loans	<u>192.0</u>	<u>209.8</u>	<u>229.1</u>	<u>262.1</u>
Net asset (liability)	<u>(192.0)</u>	<u>(209.8)</u>	<u>(229.1)</u>	<u>(262.1)</u>

None of the classes above 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 which are available for the Group for liabilities with similar risk profiles. Further, if changing one or more of the assumptions when estimating fair value using a valuation technique to a reasonably possible alternative would not alter fair value significantly.

4 Critical accounting estimates and judgements

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

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

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

The Group tests at least annually whether goodwill, other intangible assets with indefinite useful lives and other assets have suffered any impairment in accordance with the accounting policy stated in note 1(q). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions. Refer to note 24(b) for details on these assumptions.

(ii) Income taxes

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

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

(iii) Workers compensation

Calculations for the Group's self-insured workers compensation are determined by external actuaries. These calculations require assumptions in relation to the expectation of future events. Refer to notes 29 and 34 for amounts recognised for workers compensation.

4 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 29 and 34 for amounts recognised for product claims.

(v) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at grant date. The fair value is determined by an external valuer using a binomial model. These calculations require assumptions to be made, which are set out in note 52.

(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 35.

(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 29 and 34 for amounts recognised for restructuring and redundancy provisions.

(viii) Plant and machinery useful lives

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

5 Segment information

(a) Description of segments

The Company has early adopted AASB 8 *Operating Segments*. The new standard requires a 'management approach' under which segment information is prepared on the same basis as that used for internal reporting purposes. This has resulted in the segments being reported in a manner that is materially consistent with the internal reporting provided to the Managing Director and Chief Executive Officer for BlueScope Steel Limited. Comparatives for 2007 have been restated.

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

Coated & Industrial Products Australia

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

Australia Distribution & Solutions

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

New Zealand & Pacific Steel Products

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

Coated & Building Products Asia

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

Hot Rolled Products North America

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

Coated & Building Products North America

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

Geographical segments

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

5 Segment information (continued)

(a) Primary reporting format - business segments

The segment information provided to the Managing Director and Chief Executive Officer for operating segments for the year ended 30 June 2008 is as follows:

30 June 2008	Coated & Industrial Products Australia \$M	Australia Distribution & Solutions \$M	New Zealand & Pacific Steel Products \$M	Coated & Building Products Asia \$M	Hot Rolled Products North America \$M	Coated & Building Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	6,041.7	2,201.8	724.8	1,569.9	-	1,407.1	3.2	11,948.5
Intersegment revenue	(1,316.7)	(2.4)	(131.1)	(34.9)	-	(2.2)	-	(1,487.3)
Revenue from external customers	4,725.0	2,199.4	593.7	1,535.0	-	1,404.9	3.2	10,461.2
Segment EBIT	986.3	45.3	92.7	(148.4)	105.2	90.1	(3.0)	1,168.2
Depreciation and amortisation	207.1	34.9	30.1	48.8	-	35.6	-	356.5
Impairment (write-back) of non-current assets	-	22.8	(8.6)	224.4	1.4	-	-	240.0
Gain (loss) on disposal of subsidiary	-	-	-	(0.6)	-	-	-	(0.6)
Share of profit from associates and joint venture partnership	-	0.2	4.2	(3.7)	107.9	2.8	-	111.4
Total segment assets	3,904.4	1,491.4	600.1	1,210.5	183.0	1,314.8	0.3	8,704.5
Total assets includes: Investments in associates and joint venture partnership	-	3.0	4.3	61.8	180.8	4.5	-	254.4
Additions to non-current assets (other than financial assets and deferred tax)	238.0	584.8	46.2	45.3	-	754.9	1.3	1,670.5
Total segment liabilities	1,063.2	452.9	254.2	278.4	-	434.0	44.2	2,526.9
30 June 2007	Coated & Industrial Products Australia \$M	Australia Distribution & Solutions \$M	New Zealand & Pacific Steel Products \$M	Coated & Building Products Asia \$M	Hot Rolled Products North America \$M	Coated & Building Products North America \$M	Discontinued Operations \$M	Total \$M
Total segment sales revenue	5,524.9	699.7	728.4	1,375.1	-	788.0	747.2	9,863.3
Intersegment revenue	(808.2)	(1.3)	(123.5)	(66.9)	-	(2.7)	(0.6)	(1,003.2)
Revenue from external customers	4,716.7	698.4	604.9	1,308.2	-	785.3	746.6	8,860.1
Segment EBIT	799.3	12.5	90.1	33.5	154.6	37.2	15.8	1,143.0
Depreciation and amortisation	203.0	16.2	28.5	54.5	-	14.0	7.4	323.6
Impairment of non-current assets	-	-	-	-	1.2	-	-	1.2
Gain (loss) on disposal of business	-	-	-	-	-	-	58.6	58.6
Share of profit from associates and joint venture partnerships	-	-	2.9	(4.1)	156.3	6.6	0.4	162.1
Total segment assets	3,911.8	399.7	636.5	1,437.1	234.7	242.2	98.6	6,960.6
Total assets includes: Investments in associates and joint venture partnerships	-	-	4.6	60.0	231.2	5.5	-	301.3
Additions to non-current assets (other than financial assets and deferred tax)	252.7	32.7	38.9	31.4	-	10.5	5.5	371.7
Total segment liabilities	974.9	112.0	205.8	257.5	-	179.6	115.9	1,845.7

5 Segment information (continued)

(b) Secondary reporting format - geographical segments

	Segment revenues from sales to external customers		Non-current assets	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Australia	5,492.7	4,157.9	3,198.9	2,643.2
New Zealand	445.9	491.6	331.0	361.3
Asia	1,899.8	1,680.6	616.2	893.0
North America	1,991.0	1,948.1	974.6	346.5
Other	631.8	581.9	5.0	8.4
	<u>10,461.2</u>	<u>8,860.1</u>	<u>5,125.7</u>	<u>4,252.4</u>

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

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

(c) Other segment information

(i) Segment revenue

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

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

	Consolidated	
	2008 \$M	2007 \$M
Total segment revenue	11,948.5	9,863.3
Intersegment eliminations	(1,487.3)	(1,003.2)
Revenue attributable to discontinued operations	(3.2)	(747.2)
Other revenue (note 6)	33.8	51.6
Total revenue from continuing operations	<u>10,491.8</u>	<u>8,164.5</u>

(ii) Segment EBIT

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

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

	Consolidated	
	2008 \$M	2007 \$M
Total segment EBIT	1,168.2	1,143.0
Intersegment eliminations	(116.5)	1.5
Interest income	6.7	4.8
Finance costs	(131.3)	(140.9)
EBIT (gain) loss attributable to discontinued operations	3.0	(15.8)
Corporate operations	10.7	(45.3)
Profit before income tax from continuing operations	<u>940.8</u>	<u>947.3</u>

5 Segment information (continued)

(iii) Segment assets

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

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

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

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2008	2007
	\$M	\$M
Segment assets	8,704.5	6,960.6
Intersegment eliminations	(422.7)	(177.0)
Unallocated:		
Deferred tax assets	99.4	136.1
Cash	44.1	36.4
Corporate operations	40.9	550.1
Total assets as per the balance sheet	<u>8,466.2</u>	<u>7,506.2</u>

(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. The segment information is focused on EBIT. On this basis 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	
	2008	2007
	\$M	\$M
Segment liabilities	2,526.9	1,845.7
Intersegment eliminations	(288.6)	(159.4)
Unallocated:		
Current interest bearing liabilities	1,082.1	633.0
Non-current interest bearing liabilities	683.7	905.1
Current tax liabilities	156.3	56.7
Deferred tax liabilities	308.4	317.0
Accrued borrowing costs payable	11.6	17.4
Corporate operations	44.0	25.7
Total liabilities as per the balance sheet	<u>4,524.4</u>	<u>3,641.2</u>

6 Revenue

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
From continuing operations				
<i>Sales revenue</i>				
Sale of goods	10,390.9	8,002.4	3,162.1	3,023.2
Services	67.1	110.5	-	-
	10,458.0	8,112.9	3,162.1	3,023.2
<i>Other revenue</i>				
Interest external	3.7	1.9	0.2	0.3
Interest related parties	3.0	2.9	63.9	80.6
Dividends external	-	29.1	-	-
Dividends related parties	-	-	601.7	659.8
Management and guarantee fees related parties	-	-	4.9	3.6
Royalties external	1.2	1.1	0.4	-
Royalties related parties	-	-	8.3	8.0
Rental external	6.9	5.6	-	-
Rental related parties	-	-	0.1	0.4
Other revenue	19.0	11.0	2.0	2.1
	33.8	51.6	681.5	754.8
<i>Total revenue from continuing operations</i>	10,491.8	8,164.5	3,843.6	3,778.0
From discontinued operations				
Sales revenue	3.2	747.2	-	-
Other revenue	-	0.9	-	-
<i>Total revenue from discontinuing operations</i>	3.2	748.1	-	-

7 Other income

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Net gain on disposal of property, plant & equipment (2008 net loss - note 8)	-	9.6	-	7.1
Net foreign exchange gains (2007 net loss - note 8)	4.7	-	-	-
Net gain on sale of available-for-sale financial assets (a)	128.0	-	-	-
Net gain on held-for-trading financial assets at fair value through profit or loss (b)	-	8.1	-	-
Net gain on liquidation of subsidiary (c)	5.1	-	-	-
Insurance recoveries	1.3	1.9	-	-
	139.1	19.6	-	7.1

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

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

7 Other income (continued)

(b) Net gain on held-for-trading financial assets at fair value through profit or loss

On 29 August 2007 BlueScope Steel (Finance) Ltd closed out the last of its remaining equity swaps, realising a \$2.7M loss in the current period (refer note 8). The current period loss followed an \$6.6M unrealised gain recognised in the prior period from revaluations of the equity swaps to fair value.

(c) Net gain on liquidation of subsidiary

The gain represents the write-back of Butler Europe Limited's defined benefit superannuation liability of USD 4.4M. Butler Europe Limited was liquidated during the period.

8 Expenses

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Profit before income tax includes the following specific expenses for continuing operations:				
<i>Depreciation and amortisation</i>				
Depreciation (note 22)	318.3	297.4	80.1	69.1
Amortisation (note 24)	38.8	19.2	3.9	3.2
Total depreciation and amortisation	<u>357.1</u>	<u>316.6</u>	<u>84.0</u>	<u>72.3</u>
<i>Impairment losses - financial assets</i>				
Loans and receivables				
- trade receivables (note 12(d))	5.6	6.9	0.2	1.4
- related parties (note 12(d))	-	-	17.3	1.4
Total impairment of financial assets	<u>5.6</u>	<u>6.9</u>	<u>17.5</u>	<u>2.8</u>
<i>Impairment of non-current assets</i>				
China coating line (a)	189.6	-	6.7	-
Vietnam coating line (a)	34.8	-	-	-
Lysaght - Home Improvements (b)	12.3	-	-	-
Movex accounting system (c)	10.5	-	10.5	-
Castrip joint venture (note 48(c))	1.4	1.2	-	-
Lysaght - Fiji (d)	2.8	-	-	-
Reversal of impairment loss (e)	(11.4)	-	-	-
Controlled entity investments	-	-	(2.0)	7.4
Total impairment of non-current assets	<u>240.0</u>	<u>1.2</u>	<u>15.2</u>	<u>7.4</u>
<i>Finance costs</i>				
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	132.1	146.0	206.2	185.7
Ancillary finance charges	2.0	1.9	-	-
Present value discount unwind (note 34)	8.2	8.3	2.1	2.0
	<u>142.3</u>	<u>156.2</u>	<u>208.3</u>	<u>187.7</u>
Amount capitalised	(11.1)	(15.5)	(1.8)	(8.2)
Finance costs expensed	<u>131.2</u>	<u>140.7</u>	<u>206.5</u>	<u>179.5</u>

8 Expenses (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Net loss on disposal of property, plant and equipment (2007 net gain - note 7)	2.6	-	1.4	-
Net loss on held-for-trading financial assets at fair value through profit or loss (2007 net gain - note 7)	2.7	-	-	-
Net loss on disposal of subsidiary	0.6	-	-	-
Rental expense relating to operating leases	58.2	61.4	19.7	16.8
Net foreign exchange losses (2008 net gain - note 7)	-	17.5	8.5	13.2
Defined contribution superannuation expense	68.6	50.2	25.8	24.1
Research and development expense	32.9	29.2	26.3	19.0
Restructure provision charges (note 34)	14.7	(0.3)	9.1	(0.3)
Employee redundancy provision charges	24.5	(2.5)	7.0	3.2

(a) Impairment - China and Vietnam coating lines

Impairment write-downs of \$224.4M, including \$0.4M for software, were recorded in connection with the metallic coating line facilities located in both Suzhou, China and Vietnam which are a part of the Coated & Building Products Asia segment. The write-downs of the two facilities were largely driven by the outlook for coated margins remaining very tight in China and Vietnam, prompting management to perform a reassessment of future cash flows.

(b) Impairment - Lysaght Home Improvements

The Lysaght Home Improvements business, part of the Australia Distribution & Solutions segment, wrote off goodwill (\$10.8M) and software intangibles (\$1.5M) during the period as the operating performance of the business had not performed as expected which has resulted in the announced closure of the business at 30 June 2008.

(c) Impairment - Movex accounting system

Management decided that Movex will no longer be the national IT platform for Lysaght Australia and the process of rolling out Movex across Australian Lysaght sites was suspended. Lysaght Australia forms part of the Australia Distribution & Solutions segment. Capitalised roll-out costs comprising \$8.8M of software intangibles and \$1.7M of associated PP&E hardware have been made impaired due to the future benefit of these assets not being realised.

(d) Impairment Lysaght Fiji

Lysaght Fiji, part of the New Zealand and Pacific Steel Products segment, impaired \$2.3M of property, plant & equipment (refer note 22) and \$0.5M of software intangibles due to continuing poor operating performances.

(e) Reversal of impairment loss

In November 2007, New Zealand Steel redeemed their preference share investment in Manakau International Limited for NZD\$ 13.5M which represented its fair value at the date of redemption. This represents a reversal of previously booked impairment losses.

9 Income tax expense

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
(a) Income tax expense (benefit)				
Current tax	323.0	263.9	(68.8)	(38.2)
Deferred tax	10.4	4.7	(11.9)	(6.0)
Adjustments for current tax of prior periods	(7.8)	(8.8)	(4.9)	0.8
	<u>325.6</u>	<u>259.8</u>	<u>(85.6)</u>	<u>(43.4)</u>
Income tax expense (benefit) is attributable to:				
Profit from continuing operations	326.5	229.0	(85.6)	(43.4)
Profit from discontinued operations	(0.9)	30.8	-	-
Aggregate income tax expense	<u>325.6</u>	<u>259.8</u>	<u>(85.6)</u>	<u>(43.4)</u>
Deferred income tax (benefit) expense included in income tax expense comprises:				
Decrease (increase) in deferred tax assets (note 23)	21.8	(4.6)	-	-
(Decrease) increase in deferred tax liabilities (note 33)	36.7	(18.2)	(11.9)	(6.0)
Hedges of net investments in subsidiaries (note 37(a))	(48.1)	27.5	-	-
	<u>10.4</u>	<u>4.7</u>	<u>(11.9)</u>	<u>(6.0)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	940.8	947.3	354.1	502.8
Profit (loss) from discontinuing operations before income tax expense (note 10(b))	(2.9)	15.5	-	-
	<u>937.9</u>	<u>962.8</u>	<u>354.1</u>	<u>502.8</u>
Tax at the Australian tax rate of 30% (2007 - 30%)	281.4	288.8	106.2	150.8
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:				
Depreciation and amortisation	2.3	2.4	1.0	0.8
Manufacturing credits	(3.9)	(3.2)	(0.1)	-
Research and development incentive	(5.4)	(6.9)	(2.0)	(1.9)
Utilisation of unbooked tax losses	(2.8)	(4.4)	-	-
Unrecognised deferred tax assets now recognised	(17.5)	(58.4)	(11.7)	(5.6)
Temporary differences and tax losses not recognised	37.5	7.5	-	-
Non-assessable dividends	-	(8.7)	(180.5)	(198.0)
Non taxable (gains) losses	0.2	11.7	2.0	-
Exempt income	(4.5)	(5.2)	-	-
Share of net profits (losses) of associates	1.1	(0.7)	-	-
Capital losses not recognised	-	-	-	2.1
Entertainment	1.4	2.0	0.5	0.7
Share-based payments	(1.6)	2.3	0.5	2.3
Sundry items	3.8	6.3	3.4	4.6
	<u>292.0</u>	<u>233.5</u>	<u>(80.7)</u>	<u>(44.2)</u>
Difference in overseas tax rates	41.4	35.1	-	-
Adjustments for current tax of prior periods	(7.8)	(8.8)	(4.9)	0.8
Income tax expense (benefit)	<u>325.6</u>	<u>259.8</u>	<u>(85.6)</u>	<u>(43.4)</u>

9 Income tax expense (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
(c) Amounts recognised directly in equity				
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity				
Net deferred tax - debited (credited) directly to equity (notes 23 and 33)	(81.3)	53.6	(10.3)	2.2
Hedge of net investments in subsidiaries (note 37(a))	48.1	(27.5)	-	-
	<u>(33.2)</u>	<u>26.1</u>	<u>(10.3)</u>	<u>2.2</u>

(d) Tax losses

Unused tax losses for which no deferred tax asset has been recognised

Potential tax benefit @ 30%

	<u>60.2</u>	<u>66.9</u>	<u>-</u>	<u>-</u>
	<u>9.5</u>	<u>8.1</u>	<u>-</u>	<u>-</u>

The Group has tax losses arising in Vietnam of \$16.2M (2007: \$29.8M) and China of \$35.7M (2007: \$29.8M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax company in which they are generated.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
(e) Unrecognised temporary differences				
Temporary differences relating to investments in subsidiaries for which deferred tax liabilities have not been recognised	<u>601.2</u>	<u>602.8</u>	<u>35.3</u>	<u>26.3</u>
Unrecognised deferred tax liabilities relating to the above temporary differences	<u>98.1</u>	<u>97.9</u>	<u>6.4</u>	<u>4.6</u>

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

At 30 June 2008, the Group has \$67.7M (2007: \$79.7M), BlueScope Steel Ltd \$58.5M (2007: \$68.7M), of deferred income tax assets which have not been recognised as they arose from the initial recognition of a liability in a transaction that:

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

Unrecognised deferred tax assets for the Group totalling \$158.3M (2007: \$121.5M) have not been recognised as they are not probable of realisation.

At 30 June 2008, the Group has \$6.0M (2007: \$7.2M) of deferred income tax liabilities which have not been recognised as they arose from the initial recognition of an asset in a transaction that:

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

9 Income tax expense (continued)

(f) Tax consolidation legislation

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

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

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

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

The tax consolidated Group has applied the Group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated Group. Intercompany receivables of \$256.3M (2007: \$122.7M) and intercompany payables of \$17.7M (2007: \$6.3M) of BlueScope Steel Limited have been recognised as a tax consolidation adjustment.

10 Discontinued operations

(a) Description

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

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

Following a series of construction contract losses in the financial year 2006, the Company closed down and sold the assets of its Lysaght Taiwan business. The company continues to progressively complete pre-existing construction projects.

The financial information for these operations is set out below and is reported in this financial report as discontinued operations.

(b) Financial performance of discontinued operations

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

	2008				Consolidated				2007			
	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M
Revenue	-	2.9	0.3	3.2	414.4	324.5	9.2	748.1				
Expenses other than finance costs	-	(2.9)	0.3	(2.6)	(387.9)	(377.2)	(26.3)	(791.4)				
Finance costs	-	-	(0.1)	(0.1)	-	-	(0.2)	(0.2)				
Share of net profit (loss) of equity accounted associate	-	-	-	-	0.4	-	-	0.4				
Profit (loss) before income tax	-	-	0.5	0.5	26.9	(52.7)	(17.3)	(43.1)				
Income tax (expense) benefit	-	-	(0.4)	(0.4)	(10.9)	15.8	(0.2)	4.7				
Profit (loss) after income tax from discontinued operations	-	-	0.1	0.1	16.0	(36.9)	(17.5)	(38.4)				
Gain (loss) on disposal before income tax	(3.4)	-	-	(3.4)	58.6	-	-	58.6				
Income tax expense	1.3	-	-	1.3	(35.5)	-	-	(35.5)				
Gain on disposal after income tax	-	-	-	-	23.1	-	-	23.1				
Profit (loss) from discontinued operations	(2.1)	-	0.1	(2.0)	39.1	(36.9)	(17.5)	(15.3)				

10 Discontinued operations (continued)

(c) Cash flow information - discontinued operations

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

	2008			Consolidated		2007		
	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M	Vistawall \$M	Packaging \$M	Lysaght Taiwan \$M	Total \$M
Net cash inflow (outflow) from operating activities	-	23.8	(0.1)	23.7	(22.4)	(83.2)	(0.4)	(106.0)
Net cash inflow (outflow) from investing activities	-	2.8	-	2.8	214.6	(2.9)	5.0	216.7
Net cash inflow (outflow) from financing activities	-	(26.6)	(0.2)	(26.8)	(192.6)	86.1	(5.1)	(111.6)
Net increase in cash generated by the operation	-	-	(0.3)	(0.3)	(0.4)	-	(0.5)	(0.9)

(d) Assets and liabilities of disposed entity

The major classes of assets and liabilities of the Vistawall group disposed of on 29 June 2007 were as follows:

	2007 \$M
<i>Assets</i>	
Receivables	77.2
Inventories	37.1
Derivative financial instruments	0.2
Equity accounted associates	0.9
Property, plant and equipment	51.6
Intangible assets	12.0
Other	0.4
Assets classified as held for sale	179.4
<i>Liabilities and reserves</i>	
Payables	28.9
Interest bearing loans	0.1
Provisions	13.9
Hedging reserve	0.2
Other	0.2
Liabilities directly associated with assets classified as held for sale	43.3
Net assets attributable to discontinued operations	136.1

10 Discontinued operations (continued)

(e) Details of the sale of the division

Details of the sale of the Vistawall group on 29 June 2007 are as follows:

	2008 \$M	2007 \$M
Cash	-	225.9
Transaction costs	-	(9.0)
Total disposal consideration	-	216.9
Less		
Net assets disposed of	-	(136.1)
Working capital adjustment	(3.4)	-
Transfer of exchange fluctuation reserve to the profit and loss	-	(22.2)
Gain (loss) on disposal before income tax	(3.4)	58.6
Income tax (expense) benefit	1.3	(35.5)
Gain (loss) on disposal after income tax	(2.1)	23.1
<i>Net cash inflow on disposal</i>		
Cash and cash equivalents consideration	-	216.9
Less cash and cash equivalents balance disposed of	-	-
Reflected in the consolidated cash flow statement	-	216.9

11 Current assets - Cash and cash equivalents

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Cash at bank and on hand	43.0	34.9	0.1	0.1
Deposits at call	1.1	1.5	-	-
	<u>44.1</u>	<u>36.4</u>	<u>0.1</u>	<u>0.1</u>

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

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

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Balances as above	44.1	36.4	0.1	0.1
Bank overdrafts (note 27)	(24.5)	(9.5)	-	-
Balances per statement of cash flows	<u>19.6</u>	<u>26.9</u>	<u>0.1</u>	<u>0.1</u>

(b) Interest rate risk exposure

The Group's and the parent entity's exposure to interest rate risk is discussed in note 3.

12 Current assets - Receivables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Trade receivables	1,440.1	1,140.9	297.2	438.7
Provision for impairment of receivables	(24.0)	(23.1)	(2.7)	(3.6)
	<u>1,416.1</u>	<u>1,117.8</u>	<u>294.5</u>	<u>435.1</u>
Loans to related parties	4.4	3.9	1,556.3	2,072.6
Provision for impairment of receivables	-	-	(18.6)	(1.4)
	<u>4.4</u>	<u>3.9</u>	<u>1,537.7</u>	<u>2,071.2</u>
Related party trade receivables	-	-	138.6	98.6
Other receivables	76.8	97.7	3.4	4.3
Tax related amounts receivable from wholly-owned entities *	-	-	256.3	122.7
	<u>1,497.3</u>	<u>1,219.4</u>	<u>2,230.5</u>	<u>2,731.9</u>

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

(a) Trade receivables

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

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

For terms and conditions relating to related party trade receivables and loans to related parties refer to note 43.

(c) Fair values and credit risk

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

(d) Provision for impairment of receivables

A provision for impairment of receivables is made when there is objective evidence that a receivable is impaired. The loss has been included in 'other expenses' in the income statement.

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Opening balance	23.1	26.1	3.6	2.6
Additional provision recognised	5.6	6.9	0.2	1.4
Amounts used during the period	(3.4)	(2.7)	(1.0)	(0.3)
Unutilised provision written back	(2.8)	(3.7)	(0.1)	(0.1)
Provision acquired (disposed)	2.6	(1.3)	-	-
Exchange fluctuations	(1.1)	(2.2)	-	-
	<u>24.0</u>	<u>23.1</u>	<u>2.7</u>	<u>3.6</u>

12 Current assets - Receivables (continued)

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Opening balance	-	-	1.4	-
Additional provision recognised	-	-	17.7	1.4
Amounts used during the period	-	-	-	-
Unutilised provisions written back	-	-	(0.5)	-
	<u>-</u>	<u>-</u>	<u>18.6</u>	<u>1.4</u>

(e) Past due but not impaired

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Within 30 days	202.8	77.5	16.4	27.5
31 to 60 days	53.7	16.9	3.8	3.6
61 to 90 days	15.4	9.2	1.2	0.5
Over 90 days	4.8	1.4	3.7	1.1
	<u>276.7</u>	<u>105.0</u>	<u>25.1</u>	<u>32.7</u>

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

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

13 Current assets - Inventories

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
<i>Raw materials and stores</i>				
- at cost	434.2	284.2	61.9	54.6
- at net realisable value	1.4	15.0	-	0.1
	435.6	299.2	61.9	54.7
<i>Work in progress</i>				
- at cost	358.7	391.1	153.1	117.8
- at net realisable value	15.2	10.2	10.9	2.8
	373.9	401.3	164.0	120.6
<i>Finished goods</i>				
- at cost	663.0	387.6	130.5	103.7
- at net realisable value	25.7	50.7	21.6	35.9
	688.7	438.3	152.1	139.6
<i>Spares and other</i>				
- at cost	101.9	73.5	11.4	4.2
	101.9	73.5	11.4	4.2
	1,600.1	1,212.3	389.4	319.1

(a) Inventory expense

Current and non-current inventories recognised as an expense during the year ended 30 June 2008 amounted to \$5,390.7M (2007: \$4,252.0M) for the consolidated group and \$2,100.1M (2007: \$2,092.8M) for the parent.

Write-downs of inventories to net realisable value recognised as an expense during the year ended 30 June 2008 amounted to \$5.0M (2007: \$2.4M) for the consolidated Group and \$10.9M (2007: \$11.2M) for the parent. The expense has been included in 'raw materials and consumables used' in the income statement.

14 Derivative financial instruments

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Current assets				
Forward electricity contracts - cash flow hedges (a)(i)	4.9	-	-	-
Forward zinc contracts - cash flow hedges (a)(ii)	-	1.1	-	1.1
Equity swaps - held for trading instruments (a)(iii)	-	6.6	-	-
Total derivative financial instrument assets	4.9	7.7	-	1.1
Current liabilities				
Forward electricity contracts - cash flow hedges (a)(i)	-	2.5	-	-
Non-current liabilities				
Forward electricity contracts - cash flow hedges (a)(i)	-	2.1	-	-
Total derivative financial instrument liabilities	-	4.6	-	-

14 Derivative financial instruments (continued)

(a) Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in zinc and electricity prices in accordance with the Group's financial risk management policies (refer to note 3). The Company closed out its range of equity swaps in August 2007 to coincide with the acquisition of the Smorgon Distribution business.

(i) Electricity forward contracts - cash flow hedges

New Zealand Steel Limited has entered into forward electricity contracts in order to hedge against movements in the price of electricity. At balance date these contracts were assets of \$4.9M (2007: liabilities of \$4.6M).

These contracts are hedging highly probable forecast purchases for the ensuing financial year. The contracts were timed to mature when payments for electricity usage consumed in production are expected to occur.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised directly in equity. When the cash flows occur, the Group adjusts the initial measurement of electricity, which forms a component of inventory cost recognised in the balance sheet, by the related amount deferred in equity (refer to note 37). There was no material hedge ineffectiveness in the current or prior year.

The following cash flows are expected to occur between the reporting date and the maturity of the forward electricity contracts:

	Buy electricity		Average price per megawatt	
	2008 NZD \$M	2007 NZD \$M	2008 NZD	2007 NZD
Maturity 30 April 2009	12.8	28.1	87.5	87.5

The amount recognised in equity as a result of the electricity forward contracts is adjusted to the inventory account in the balance sheet when the electricity is purchased and consumed as part of the manufacturing process. This is then expected to affect the profit or loss over a period of 2 months when the inventory is sold.

(ii) Zinc forward contracts - cash flow hedges

BlueScope Steel Limited completed its zinc hedging program in June 2008. At balance date there were no zinc forward contracts outstanding (2007: \$1.1M favourable position).

These contracts were hedging highly probable forecasted purchases for the ensuing financial year. The contracts were timed to mature when payments for major shipments of zinc were scheduled to be made.

The portion of the gain or loss on the hedging instrument determined to be an effective hedge was recognised directly in equity. When the cash flows occurred, the Group adjusted the initial measurement of zinc inventory recognised in the balance sheet by the related amount deferred in equity (refer to note 37). There was no hedge ineffectiveness in the current or prior year.

	Buy zinc		Average price	
	2008 USD \$M	2007 USD \$M	2008 USD	2007 USD
Maturity 0 - 6 months	-	19.4	-	3,225

The amount recognised in equity as a result of the forward zinc contracts is adjusted to the inventory account in the balance sheet when the inventory is delivered. This is then expected to affect the profit or loss over a period of two months when the inventory is converted and subsequently sold.

14 Derivative financial instruments (continued)

(iii) *Equity swaps - held for trading*

In the prior period the Company entered into a range of equity swaps associated with the anticipated acquisition of the Smorgon Distribution business. These equity swaps have been accounted for as held for trading.

In August 2007 the Company closed out its range of equity swap contracts, incurring a loss of \$2.7M in the current period following a downwards revaluation of the \$6.6M fair value assigned at 30 June 2007.

(b) **Risk exposures**

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

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

BlueScope Steel Group has a net investment in New Zealand Steel Limited and North Star BlueScope Steel. Movements in the AUD/NZD and AUD/USD exchange rates result in fluctuations in the AUD equivalent of these net investments. BlueScope Steel (Finance) Limited has borrowed NZD 1,370M (June 2007: NZD 1,235M) and USD 150M (June 2007: USD Nil) to hedge the net investment in New Zealand Steel Limited and North Star BlueScope Steel respectively. On translation of the net investments from NZD and USD to AUD, foreign exchange gains and losses are taken to the foreign currency translation reserve. Similarly, on translation of BlueScope Steel (Finance) Limited's NZD and USD borrowings to AUD, foreign exchange gains and losses are also taken to the foreign currency translation reserve to the extent that the hedge is effective. The hedge of these net investments is recorded in the foreign currency translation reserve net of tax (refer to note 37).

15 Current assets - Available-for-sale financial assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
<i>Listed securities</i>				
Equity securities	-	476.5	-	-

On 3 August 2007 BlueScope Steel Limited acquired the distribution business of Smorgon Steel Limited. As part of the consideration for this acquisition the 179,124,278 Smorgon Steel Limited shares, previously acquired by the Company for \$319.3M and accounted for as an available-for-sale financial asset, were sold at \$2.50 per share. This sales price was based on 0.4091 OneSteel Limited shares for each Smorgon Steel Limited share valued using the volume weighted price of OneSteel Limited shares for the 10-day period to 17 August 2007. The pre-tax gain on the disposal of the Smorgon Steel Limited shares was \$128.0M and is presented in the income statement as other income (refer note 7).

16 Current assets - Other

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Deferred charges and prepayments	54.8	56.0	4.0	9.9

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

17 Non-current assets - Receivables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Loans to related parties	15.7	20.0	-	-
Other receivables	<u>24.2</u>	<u>29.5</u>	<u>0.9</u>	<u>2.1</u>
	<u>39.9</u>	<u>49.5</u>	<u>0.9</u>	<u>2.1</u>

Further information relating to loans to related parties and key management personnel is set out in notes 39 and 43 respectively.

(a) Impaired receivables and receivables past due

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

(b) Fair values

Non-current loans to related parties accrues interest at a fixed interest rate. The fair value of this receivable using current interest rates is \$21.9M (2007: \$27.4M).

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

(c) Risk exposure

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

18 Non-current assets - Retirement benefit assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Retirement benefit assets	<u>-</u>	<u>59.9</u>	<u>-</u>	<u>23.9</u>

The prior period asset represents a surplus of the defined benefit division of the BlueScope Steel Superannuation Fund (Australia). It is measured as the present value of the defined benefit obligation at the reporting date less the fair value of the superannuation fund's assets at that date, in accordance with the retirement benefits obligations accounting policy (refer to note 1(w)(iii)).

Due to the performance of equity markets this surplus has moved into a deficit position. Refer to note 35 for full disclosure of the Group's defined benefit plans.

19 Non-current assets - Inventories

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
<i>Raw materials and stores</i>				
- at cost	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>1.6</u>
	<u>-</u>	<u>1.6</u>	<u>-</u>	<u>1.6</u>
<i>Spares and other</i>				
- at cost	<u>59.7</u>	<u>57.2</u>	<u>21.7</u>	<u>24.2</u>
	<u>59.7</u>	<u>57.2</u>	<u>21.7</u>	<u>24.2</u>
	<u>59.7</u>	<u>58.8</u>	<u>21.7</u>	<u>25.8</u>

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

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

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Shares in associates (note 47)	13.8	12.2	-	-
Interest in joint venture partnerships (note 48)	<u>240.6</u>	<u>289.1</u>	<u>-</u>	<u>-</u>
	<u>254.4</u>	<u>301.3</u>	<u>-</u>	<u>-</u>

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

21 Non-current assets - Other financial assets

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Shares in subsidiaries (note 45)	<u>-</u>	<u>-</u>	<u>2,585.9</u>	<u>1,834.0</u>

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

22 Non-current assets - Property, plant and equipment

Consolidated	Land and buildings \$M	Plant, machinery and equipment \$M	Total \$M
At 1 July 2006			
Cost	850.8	7,037.6	7,888.4
Accumulated depreciation and impairment	<u>(332.8)</u>	<u>(3,812.4)</u>	<u>(4,145.2)</u>
Net book amount	<u>518.0</u>	<u>3,225.2</u>	<u>3,743.2</u>
Year ended 30 June 2007			
Opening net book amount	518.0	3,225.2	3,743.2
Additions	81.6	257.9	339.5
Acquisition of subsidiaries / businesses	-	3.1	3.1
Depreciation charge	(30.3)	(274.2)	(304.5)
Disposals	(11.0)	(4.9)	(15.9)
Disposal of subsidiaries / businesses	(22.3)	(29.3)	(51.6)
Asset reclassifications	91.9	(98.6)	(6.7)
Transfers from non-current assets held for sale	19.6	-	19.6
Exchange variations/other	<u>(25.5)</u>	<u>(30.5)</u>	<u>(56.0)</u>
Closing net book amount	<u>622.0</u>	<u>3,048.7</u>	<u>3,670.7</u>
At 30 June 2007			
Cost	989.9	7,071.3	8,061.2
Accumulated depreciation and impairment	<u>(367.9)</u>	<u>(4,022.6)</u>	<u>(4,390.5)</u>
Net book amount	<u>622.0</u>	<u>3,048.7</u>	<u>3,670.7</u>
Consolidated	Land and buildings \$M	Plant, machinery and equipment \$M	Total \$M
Year ended 30 June 2008			
Opening net book amount	622.0	3,048.7	3,670.7
Additions	22.9	436.9	459.8
Acquisition of subsidiaries / businesses	160.9	207.1	368.0
Depreciation charge	(31.1)	(287.2)	(318.3)
Disposals	(5.2)	(8.2)	(13.4)
Disposal of subsidiaries / businesses	-	(0.1)	(0.1)
Asset reclassifications	34.8	(45.5)	(10.7)
Impairment loss (note (c))	(69.7)	(158.3)	(228.0)
Exchange variations/other	<u>(34.0)</u>	<u>(86.7)</u>	<u>(120.7)</u>
Closing net book amount	<u>700.6</u>	<u>3,106.7</u>	<u>3,807.3</u>
At 30 June 2008			
Cost	1,181.3	7,744.9	8,926.2
Accumulated depreciation and impairment	<u>(480.7)</u>	<u>(4,638.2)</u>	<u>(5,118.9)</u>
Net book amount	<u>700.6</u>	<u>3,106.7</u>	<u>3,807.3</u>

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

Parent	Land and buildings \$M	Plant, machinery and equipment \$M	Total \$M
At 1 July 2006			
Cost	178.9	1,690.6	1,869.5
Accumulated depreciation and impairment	(82.9)	(955.9)	(1,038.8)
Net book amount	<u>96.0</u>	<u>734.7</u>	<u>830.7</u>
Year ended 30 June 2007			
Opening net book amount	96.0	734.7	830.7
Additions	32.8	82.9	115.7
Depreciation charge	(6.5)	(62.6)	(69.1)
Disposals	(1.2)	(0.6)	(1.8)
Asset reclassifications	4.3	(0.4)	3.9
Transfers from non-current assets held for sale	19.6	-	19.6
Closing net book amount	<u>145.0</u>	<u>754.0</u>	<u>899.0</u>
At 30 June 2007			
Cost	250.5	1,734.8	1,985.3
Accumulated depreciation and impairment	(105.5)	(980.8)	(1,086.3)
Net book amount	<u>145.0</u>	<u>754.0</u>	<u>899.0</u>
Parent	Land and buildings \$M	Plant, machinery and equipment \$M	Total \$M
Year ended 30 June 2008			
Opening net book amount	145.0	754.0	899.0
Additions	4.1	70.3	74.4
Depreciation charge	(6.9)	(73.2)	(80.1)
Disposals	(0.3)	(3.1)	(3.4)
Asset reclassifications	12.7	(24.8)	(12.1)
Impairment loss	-	(8.0)	(8.0)
Closing net book amount	<u>154.6</u>	<u>715.2</u>	<u>869.8</u>
At 30 June 2008			
Cost	292.4	1,920.4	2,212.8
Accumulated depreciation and impairment	(137.8)	(1,205.2)	(1,343.0)
Net book amount	<u>154.6</u>	<u>715.2</u>	<u>869.8</u>

(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		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Land and buildings	3.6	23.9	0.2	21.3
Plant, machinery and equipment	<u>481.5</u>	<u>462.6</u>	<u>89.5</u>	<u>170.1</u>
Total assets in the course of construction	<u>485.1</u>	<u>486.5</u>	<u>89.7</u>	<u>191.4</u>

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

(b) Non-current assets pledged as security

Refer to note 32 for information on non-current assets pledged as security by the parent entity and its controlled entities.

(c) Impairment loss

The Group tests for impairment and measures recoverable amount based on value-in-use based on the discounted future cash flows derived from continued use of assets. Refer to note 24(b) for testing methodology including discount rates used. Impairment losses are included in the line item 'impairment of non-current assets' in the income statement.

(i) China and Vietnam coating lines

Impairment write-downs were booked in connection with the metallic coating line facilities located in both Suzhou, China and Vietnam which are part of the Coated & Building Products Asia segment. The write-downs of the two facilities were largely driven by the outlook for coated margins remaining very tight in China and Vietnam. China and Vietnam have allocated \$189.2M and \$34.8M from impairment losses to property, plant & equipment.

(ii) Lysaght Fiji

Due to continuing poor operating performances Lysaght Fiji recorded a \$2.3M impairment loss against property, plant & equipment.

(iii) Movex software

Management have decided that Movex will no longer be the national IT platform for Lysaght Australia and the process of rolling out Movex across Australian Lysaght sights has been suspended. Lysaght Australia forms part of the Australia Distribution & Solutions segment. Plant & equipment with a book value of \$1.7M was fully impaired during the period due to the future benefit of these assets not being realised.

23 Non-current assets - Deferred tax assets

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts provision	0.5	0.6	-	-
Employee benefits provision	8.7	8.0	-	-
Other provisions	3.0	6.1	-	-
Depreciation	36.9	59.8	-	-
Inventory	43.4	4.2	-	-
Tax losses	8.3	56.1	-	-
	<u>100.8</u>	<u>134.8</u>	<u>-</u>	<u>-</u>
<i>Amounts recognised directly in equity</i>				
Electricity cash flow hedge	(1.4)	1.3	-	-
Total deferred tax assets	<u>99.4</u>	<u>136.1</u>	<u>-</u>	<u>-</u>
Movements:				
Opening balance at 1 July	136.1	121.1	-	-
Credited (charged) to the income statement (note 9)	(21.8)	4.6	-	-
Credited (charged) to equity	(2.7)	0.5	-	-
Foreign exchange differences	(12.2)	9.9	-	-
Closing balance at 30 June	<u>99.4</u>	<u>136.1</u>	<u>-</u>	<u>-</u>

24 Non-current assets - Intangible assets

	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Customer relationships \$M	Other intangible assets \$M	Total \$M
Consolidated						
At 1 July 2006						
Cost	112.0	9.4	127.5	16.3	4.7	269.9
Accumulated amortisation and impairment	-	(9.2)	(29.3)	(1.5)	(3.1)	(43.1)
Net book amount	<u>112.0</u>	<u>0.2</u>	<u>98.2</u>	<u>14.8</u>	<u>1.6</u>	<u>226.8</u>
Year ended 30 June 2007						
Opening net book amount	112.0	0.2	98.2	14.8	1.6	226.8
Exchange differences	(5.7)	(0.4)	(2.2)	-	-	(8.3)
Additions	-	2.5	12.4	-	0.4	15.3
Disposals	-	-	(0.2)	-	-	(0.2)
Acquisition of business/subsidiary	10.8	-	-	4.5	-	15.3
Disposal of business	(11.0)	-	(1.0)	-	-	(12.0)
Pre-acquisition deferred tax assets recognised	(3.2)	-	-	-	-	(3.2)
Amortisation charge	-	(0.4)	(16.8)	(1.1)	(1.2)	(19.5)
Reclassifications	-	-	6.7	-	-	6.7
Closing net book amount	<u>102.9</u>	<u>1.9</u>	<u>97.1</u>	<u>18.2</u>	<u>0.8</u>	<u>220.9</u>
At 30 June 2007						
Cost	102.9	10.6	144.5	20.8	4.6	283.4
Accumulated amortisation and impairment	-	(8.7)	(47.4)	(2.6)	(3.8)	(62.5)
Net book amount	<u>102.9</u>	<u>1.9</u>	<u>97.1</u>	<u>18.2</u>	<u>0.8</u>	<u>220.9</u>
	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Customer relationships \$M	Other intangible assets \$M	Total \$M
Consolidated						
Year ended 30 June 2008						
Opening net book amount	102.9	1.9	97.1	18.2	0.8	220.9
Exchange differences	(8.9)	(0.2)	(3.6)	(0.9)	(0.1)	(13.7)
Additions	-	-	11.1	-	-	11.1
Disposals	-	-	-	-	-	-
Acquisition of business/subsidiary	702.4	9.5	30.3	85.6	6.6	834.4
Disposal of subsidiaries	(1.1)	-	-	-	-	(1.1)
Pre-acquisition deferred tax assets recognised	(2.9)	-	-	-	-	(2.9)
Impairment charge (c)	(10.8)	-	(11.2)	-	-	(22.0)
Amortisation charge	-	(2.2)	(20.9)	(15.4)	(0.3)	(38.8)
Reclassifications	-	-	10.7	-	-	10.7
Closing net book amount	<u>781.6</u>	<u>9.0</u>	<u>113.5</u>	<u>87.5</u>	<u>7.0</u>	<u>998.6</u>
At 30 June 2008						
Cost	792.4	18.7	198.1	105.4	7.4	1,122.0
Accumulated amortisation and impairment	(10.8)	(9.7)	(84.6)	(17.9)	(0.4)	(123.4)
Net book amount	<u>781.6</u>	<u>9.0</u>	<u>113.5</u>	<u>87.5</u>	<u>7.0</u>	<u>998.6</u>

24 Non-current assets - Intangible assets (continued)

	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Total \$M
Parent				
At 1 July 2006				
Cost	2.5	0.1	28.4	31.0
Accumulated amortisation and impairment	-	(0.1)	(6.2)	(6.3)
Net book amount	<u>2.5</u>	<u>-</u>	<u>22.2</u>	<u>24.7</u>
Year ended 30 June 2007				
Opening net book amount	2.5	-	22.2	24.7
Additions	-	-	1.4	1.4
Amortisation charge	-	-	(3.2)	(3.2)
Reclassifications	-	-	(3.9)	(3.9)
Closing net book amount	<u>2.5</u>	<u>-</u>	<u>16.5</u>	<u>19.0</u>
At 30 June 2007				
Cost	2.5	0.1	29.9	32.5
Accumulated amortisation and impairment	-	(0.1)	(13.4)	(13.5)
Net book amount	<u>2.5</u>	<u>-</u>	<u>16.5</u>	<u>19.0</u>
	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Total \$M
Parent				
Year ended 30 June 2008				
Opening net book amount	2.5	-	16.5	19.0
Additions	-	-	1.2	1.2
Impairment charge	-	-	(9.2)	(9.2)
Amortisation charge	-	-	(3.9)	(3.9)
Reclassification	-	-	12.1	12.1
Closing net book amount	<u>2.5</u>	<u>-</u>	<u>16.7</u>	<u>19.2</u>
At 30 June 2008				
Cost	2.5	0.1	43.3	45.9
Accumulated amortisation and impairment	-	(0.1)	(26.6)	(26.7)
Net book amount	<u>2.5</u>	<u>-</u>	<u>16.7</u>	<u>19.2</u>

24 Non-current assets - Intangible assets (continued)

(a) Allocation of goodwill to cash-generating units

Goodwill is allocated to the Group's cash-generating units (CGUs) for impairment testing purposes. The following CGUs contain allocated goodwill which is significant in comparison with the total carrying amount of goodwill for the consolidated group:

Cash-generating unit	Business segment	2008 \$M	2007 \$M
Coated & Industrial Products Australia	Coated & Industrial Products Australia	40.0	-
BlueScope Distribution	Australia Distribution & Solutions	317.9	-
Lysaght Australia	Australia Distribution & Solutions	59.9	59.7
BlueScope Water	Australia Distribution & Solutions	14.8	11.8
Buildings North America	Coated & Building Products North America	255.9	15.9
Steelscape	Coated & Building Products North America	20.7	-
Metl-Span	Coated & Building Products North America	59.2	-
Butler China	Coated & Building Products Asia	9.2	10.4
Other Asia	Coated & Building Products Asia	4.0	5.1
Total goodwill		781.6	102.9

Note: The allocation of the goodwill to CGUs arising from the February 2008 acquisition of the IMSA Group is provisional. AASB 3 *Business Combinations* allows an acquirer up to twelve months from the acquisition date to finalise the acquisition balance sheet.

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

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

Cash flows

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

Growth rate

The growth rate used to extrapolate the cash flows beyond the three-year period is typically 2.5% (2007: 2.5%). The growth rate represents a steady indexation rate which does not exceed management's expectations of the long-term average growth rate for the business in which each CGU operates.

Discount rate

The base discount rate applied to the cash flow projections is 10.5% post-tax (2007: 10.0% post-tax). The discount rate is a post-tax rate that reflects the current assessment of the time value of money, and the overall perceived risk profile of the Company.

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

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

(c) Impairment charge

The carrying amount of the computer software in Lysaght Australia has been reduced to its recoverable amount through recognition of an impairment loss for \$8.8M. Lysaght Home Improvements impaired goodwill totalling \$10.8M and computer software for \$1.5M during the period. The Lysaght Fiji and the China coating line impairments also included amounts of \$0.5M and \$0.4M respectively allocated to computer software. For details regarding the nature and circumstances of these impairment charges, refer to note 8.

25 Non-current assets - Other

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Deferred charges and prepayments	<u>5.7</u>	<u>0.7</u>	<u>1.1</u>	<u>0.5</u>

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

26 Current liabilities - Payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Trade payables	1,137.1	733.4	165.0	116.7
Related party trade payables	-	-	190.7	132.1
Tax related amounts payable to wholly owned entities	-	-	17.7	6.3
Other payables	<u>144.9</u>	<u>145.4</u>	<u>37.8</u>	<u>51.5</u>
	<u>1,282.0</u>	<u>878.8</u>	<u>411.2</u>	<u>306.6</u>

(a) Risk exposure

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

27 Current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Secured				
Other loans	48.8	42.9	42.1	37.0
Lease liabilities (note 42)	<u>0.8</u>	<u>0.1</u>	<u>-</u>	<u>-</u>
	<u>49.6</u>	<u>43.0</u>	<u>42.1</u>	<u>37.0</u>
Unsecured				
Bank overdrafts (note 11)	24.5	9.5	-	-
Sale of receivables	-	246.3	-	148.0
Bank loans	1,008.3	334.7	-	-
Loans from related parties	-	-	2,284.2	2,366.7
Deferred borrowing costs	<u>(0.3)</u>	<u>(0.5)</u>	<u>-</u>	<u>-</u>
	<u>1,032.5</u>	<u>590.0</u>	<u>2,284.2</u>	<u>2,514.7</u>
Total current interest bearing liabilities	<u>1,082.1</u>	<u>633.0</u>	<u>2,326.3</u>	<u>2,551.7</u>

(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 32.

(b) Risk exposures

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

28 Current liabilities - Current tax liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Income tax	<u>156.3</u>	<u>56.7</u>	<u>133.9</u>	<u>27.3</u>

29 Current liabilities - Provisions

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Employee benefits - annual leave	116.7	109.0	41.8	39.8
Employee benefits - long service leave	147.2	147.9	58.9	58.8
Employee benefits - redundancy (a)	8.0	18.9	2.8	3.2
Employee benefits - other	121.2	94.1	48.3	40.5
Restructure (b)	30.3	42.9	9.0	-
Product claims (c)	34.7	43.4	6.4	9.1
Workers compensation (d)	14.5	13.1	2.8	2.7
Restoration and rehabilitation (e)	2.7	-	0.4	-
Other	<u>18.3</u>	<u>8.2</u>	<u>0.3</u>	<u>0.3</u>
	<u>493.6</u>	<u>477.5</u>	<u>170.7</u>	<u>154.4</u>

(a) Redundancy

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

(b) Restructure

Restructure provision relates to the announced closures of Packaging Products, Port Kembla's CRM paintline and associated Lysaght businesses. All provisions are expected to be utilised prior to 30 June 2009.

(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 for the extent and timing of predicted future claims costs.

(d) Workers compensation

In Australia and North America, BlueScope Steel Limited is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary. A contingent liability exists in relation to guarantees given to various state workers compensation authorities, due to self-insurance prerequisites (refer note 41).

For the Group, an actuarially determined asset of \$23.3M (2007: \$20.3M) has been recognised for expected future reimbursements associated with workers compensation recoveries from third parties. This amount is included in non-current other receivables (refer to note 17) as there is no legal right of offset against the workers compensation provision.

(e) Restoration and rehabilitation

Restoration and rehabilitation provisions include environmental liabilities based upon the assessment of distribution sites following the acquisition of Smorgon Steel Limited's distribution business in August 2007. This provision has both current (\$2.5M) and non-current (\$5.0M) portions.

Other restoration and rehabilitation provisions exist for New Zealand Steel which operates two iron sand mines, and our logistics operations. These provisions have been recorded as non-current (refer to note 34) as the timing of payments to remedy these sites will not be made until the distant future upon cessation of their operations, while the extent of these future costs remains uncertain due to possibilities of changed site conditions between then and the reporting date.

Movement in provisions

The reconciliation of movement in provisions is set out in note 34.

30 Current liabilities - Deferred income

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Deferred income	<u>106.3</u>	<u>70.9</u>	<u>2.9</u>	<u>6.0</u>

The fair value of deferred income approximates carrying value.

31 Non-current liabilities - Payables

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Other payables	<u>7.5</u>	<u>2.0</u>	<u>-</u>	<u>-</u>

(a) Risk exposure

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

32 Non-current liabilities - Interest bearing liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Secured				
Other loans	174.1	222.8	150.0	192.1
Lease liabilities (note 42)	<u>2.6</u>	<u>1.1</u>	<u>-</u>	<u>-</u>
	<u>176.7</u>	<u>223.9</u>	<u>150.0</u>	<u>192.1</u>
Unsecured				
Bank loans	191.7	320.4	-	-
Other loans	318.3	361.6	-	-
Deferred borrowing costs	<u>(3.0)</u>	<u>(0.8)</u>	<u>-</u>	<u>-</u>
	<u>507.0</u>	<u>681.2</u>	<u>-</u>	<u>-</u>
Total non-current interest bearing liabilities	<u>683.7</u>	<u>905.1</u>	<u>150.0</u>	<u>192.1</u>

(a) Secured liabilities and assets pledged as security

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Other loans	222.9	265.7	192.2	229.1
Lease liabilities	<u>3.3</u>	<u>1.2</u>	<u>-</u>	<u>-</u>
Total secured liabilities	<u>226.2</u>	<u>266.9</u>	<u>192.2</u>	<u>229.1</u>

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

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

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

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
<i>Other loans</i>				
Property, plant and equipment	59.2	71.9	61.2	71.5
<i>Lease liabilities</i>				
Property, plant and equipment	<u>2.6</u>	<u>0.5</u>	<u>-</u>	<u>-</u>
Total current assets pledged as security	<u>61.8</u>	<u>72.4</u>	<u>61.2</u>	<u>71.5</u>

(b) Sale of receivables program

The Group disposes of an interest in a pool of trade receivables under a sale of receivables program. As at 30 June 2008, the Group has received \$Nil (2007: \$246.2M) in cash for trade receivables sold under the program.

(c) Set-off of assets and liabilities

New Zealand Steel Limited deposits surplus funds with a financial institution. The institution makes advances up to an equivalent amount of the deposit to BlueScope Steel (Finance) Limited. These advances are the hedge instrument, outlined in note 14(c), utilised to hedge the net investment in New Zealand Steel Limited. The company has established a legal right of set-off with the financial institution. The balance of the particular borrowings at the end of the period was \$1,085M (2007: \$1,119M).

(d) Financing arrangements

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

Bank loan facilities

Australian

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

- \$1,192M syndicated bank facility with a syndicate of banks. The facility is comprised of a \$92M 364-day tranche extended in June 2008 to mature December 2009; a \$550M three-year tranche extended in June 2008 to mature December 2011; and a \$550M five-year tranche maturing December 2010 (unchanged).
- \$350M of 364-day facilities to support working capital and other short-term cash requirements. These working capital facilities mature in October 2008.
- USD 725M bridge facility maturing in January 2009.

Non-Australian

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

- Two short-term facilities of USD 22.5M (AUD 23.4M) and THB 700.0M (AUD 21.7M) to support working capital and other short-term cash requirements and a long-term facility of THB 3,000M (AUD 93.0M) for BlueScope Steel Thailand Limited.
- Three short-term facilities totalling MYR 169M (AUD 53.8M) to support working capital and other short-term cash requirements for BlueScope Steel (Malaysia) Sdn Bhd.

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

Other facilities

- USD 300M of US Private Placement Loan Notes, USD 100M of which are due for repayment in 2011, and USD 200M in 2014.
- In 2006, a sale and leaseback transaction was conducted raising approximately \$270M net cash. The relevant assets have been leased back over a five-year period. This transaction has been accounted for as a borrowing.
- Subsequent to 30 June 2008, the Company completed a US Private Placement Note issue for USD 325M. Of the the USD 325M notes issued, USD 81M are due for repayment in 2015, USD 204M are due for repayment in 2018 and USD 40M are due for repayment in 2020.

Bank overdrafts

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

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Credit standby arrangements				
Total facilities				
Bank overdrafts	34.8	39.3	-	-
Bank loan facilities	2,528.0	1,713.9	-	-
Sale of receivables program	-	300.0	-	173.2
	<u>2,562.8</u>	<u>2,053.2</u>	<u>-</u>	<u>173.2</u>
Used at balance date				
Bank overdrafts	24.5	9.5	-	-
Bank loan facilities	1,200.0	655.2	-	-
Sale of receivables program	-	246.2	-	148.0
	<u>1,224.5</u>	<u>910.9</u>	<u>-</u>	<u>148.0</u>
Unused at balance date				
Bank overdrafts	10.3	29.8	-	-
Bank loan facilities	1,328.0	1,058.7	-	-
Sale of receivables program	-	53.8	-	25.2
	<u>1,338.3</u>	<u>1,142.3</u>	<u>-</u>	<u>25.2</u>

(e) Risk exposures

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

33 Non-current liabilities - Deferred tax liabilities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
The balance comprises temporary differences attributable to:				
<i>Amounts recognised in profit or loss</i>				
Doubtful debts provision	(2.4)	(2.8)	(6.4)	(1.5)
Employee benefits	(103.2)	(121.7)	(42.4)	(38.9)
Claims provision	(17.5)	(10.6)	(14.8)	(9.6)
Other provisions	(22.5)	(8.1)	(4.5)	(1.6)
Depreciation	366.3	361.3	72.6	83.1
Foreign exchange gains (losses)	57.5	13.5	(0.1)	(1.4)
Inventory	20.7	13.0	4.8	2.6
Investments	8.4	6.9	6.7	4.9
Intangible assets	37.8	4.1	-	-
Tax losses	(1.2)	(3.4)	-	-
Other	(6.6)	9.7	0.6	4.1
	<u>337.3</u>	<u>261.9</u>	<u>16.5</u>	<u>41.7</u>
<i>Amounts recognised directly in equity (note 37)</i>				
Retirement benefit (obligations) assets	(28.9)	7.6	(7.6)	2.4
Zinc cash flow hedges	-	0.3	-	0.3
Available for sale investments	-	47.2	-	-
	<u>(28.9)</u>	<u>55.1</u>	<u>(7.6)</u>	<u>2.7</u>
Net deferred tax liabilities	<u>308.4</u>	<u>317.0</u>	<u>8.9</u>	<u>44.4</u>
Movements:				
Opening balance at 1 July	317.0	284.2	44.4	48.2
Charged (credited) to the income statement (note 9)	36.7	(18.2)	(11.9)	(6.0)
Charged (credited) to equity (note 37)	(84.0)	54.1	(10.3)	2.2
Acquisitions (disposals)	45.5	1.3	-	-
Subsidiary company transfers	-	-	(13.3)	-
Exchange fluctuation	(6.8)	(4.4)	-	-
Closing balance at 30 June	<u>308.4</u>	<u>317.0</u>	<u>8.9</u>	<u>44.4</u>

34 Non-current liabilities - Provisions

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Employee benefits - long service leave	15.6	9.1	5.5	3.6
Employee benefits - other	3.3	3.5	-	-
Restructure	0.5	0.5	-	-
Product claims	51.4	31.2	39.6	23.0
Workers compensation	106.3	107.6	9.1	9.3
Restoration and rehabilitation	10.3	6.2	-	-
Other	12.7	10.2	-	-
	<u>200.1</u>	<u>168.3</u>	<u>54.2</u>	<u>35.9</u>

For a description of each class of provision, refer to note 29.

34 Non-current liabilities - Provisions (continued)

Movements in provisions

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

	Restructure \$M	Product claims \$M	Workers compensation \$M	Restoration and rehabilitation \$M	Other \$M	Total \$M
Consolidated - 2008						
Current and non-current						
Carrying amount at start of year	43.4	74.6	120.7	6.2	18.4	263.3
Additional provision recognised	17.6	39.3	11.7	0.1	8.5	77.2
Unutilised provisions written back	(2.9)	-	(0.2)	-	-	(3.1)
Acquired via business combination	-	5.6	3.1	7.5	6.4	22.6
Amounts used during the period	(27.2)	(32.1)	(19.1)	(0.5)	(0.8)	(79.7)
Exchange fluctuations	(0.1)	(3.9)	(0.8)	(0.5)	(1.5)	(6.8)
Unwinding and discount rate adjustment	-	2.6	5.4	0.2	-	8.2
Carrying amount at end of year	<u>30.8</u>	<u>86.1</u>	<u>120.8</u>	<u>13.0</u>	<u>31.0</u>	<u>281.7</u>
	Restructure \$M	Product claims \$M	Workers compensation \$M	Restoration and rehabilitation \$M	Other \$M	Total \$M
Parent - 2008						
Current and non-current						
Carrying amount at start of year	-	32.1	12.0	-	0.3	44.4
Additional provisions recognised	9.2	32.2	2.9	0.4	-	44.7
Unutilised provisions written back	(0.1)	-	-	-	-	(0.1)
Amounts used during the period	(0.1)	(19.9)	(3.5)	-	-	(23.5)
Unwinding and discount rate adjustment	-	1.6	0.5	-	-	2.1
Carrying amount at end of year	<u>9.0</u>	<u>46.0</u>	<u>11.9</u>	<u>0.4</u>	<u>0.3</u>	<u>67.6</u>

35 Non-current liabilities - Retirement benefit obligations

(a) Superannuation benefits

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

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

Prior to 31 May 2008, over 1,000 former employees of Smorgon Steel Limited who became employees of the Group were members of the Smorgon Steel Distribution Superannuation Fund. On 31 May 2008, the assets and liabilities of the Smorgon Steel Distribution Superannuation Fund were transferred into the BlueScope Steel Superannuation Fund. All of the assets and liabilities transferred on that date were in respect of defined contributions and now form part of the defined contribution section of the BlueScope Steel Superannuation Fund.

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

The Company acquired IMSA Steel Corp effective February 1, 2008. IMSA Steel Corp sponsored three defined benefit funds, all of which are now sponsored by BlueScope Steel. Salaried employees of Varco Pruden Buildings Inc participate in the VP Buildings Inc Retirement Plan, which is an ongoing plan that provides benefit accruals based on final average salary. Hourly and union employees of Varco Pruden Buildings Inc participate in the VP Buildings Inc Master Pension Plan for hourly employees, which is an ongoing plan that provides benefit accruals based on a specified dollar amount for each year of service. Employees of Steelscape participate in the IMSA Steel Corporation Pension Plan, which is an ongoing plan that provides a benefit as a notional account balance, which grows with annual pay and interest credits.

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 2005, the New Zealand Steel Pension Fund as at 31 March 2006, and the Butler Manufacturing defined benefit plan as at 1 January 2007. Summary actuarial assessments were performed for all of these funds as at 30 June 2008, to provide information that is more up-to-date than that of the most recent formal actuarial investigation.

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

(b) Balance sheet amounts

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Present value of the defined benefit obligation	(1,069.9)	(1,067.8)	(265.5)	(269.1)
Fair value of defined benefit plan assets	908.0	1,020.4	263.2	289.6
Net (liability) asset before adjustment for contributions tax	(161.9)	(47.4)	(2.3)	20.5
Adjustment for contributions tax	(42.5)	(20.0)	(0.4)	3.4
Net (liability) asset in the balance sheet	(204.4)	(67.4)	(2.7)	23.9

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

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

2008	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	(518.4)	(270.8)	(280.7)	(1,069.9)
Fair value of defined benefit plan assets	513.7	186.3	208.0	908.0
Adjustment for contributions tax	(0.8)	(41.7)	-	(42.5)
Net (liability) asset in the balance sheet	(5.5)	(126.2)	(72.7)	(204.4)
Defined benefit expense	0.6	7.7	0.3	8.6
Employer contributions	13.3	18.4	19.6	51.3
Employer contributions % of member's salary	10.5%	28.4%	4.1%	
<i>Principal actuarial assumptions</i>	%	%	%	
Discount rate (net of tax)	5.4	4.5	6.3	
Expected return on plan assets (net of tax)	7.5	6.0	8.0	
Future salary increases	4.0	4.0	4.0	

2007	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	(583.1)	(266.3)	(218.4)	(1,067.8)
Fair value of defined benefit plan assets	634.0	207.3	179.1	1,020.4
Adjustment for contributions tax	9.0	(29.0)	-	(20.0)
Net (liability) asset in the balance sheet	59.9	(88.0)	(39.3)	(67.4)
Defined benefit expense	2.7	13.7	11.1	27.5
Employer contributions	19.5	17.5	20.9	57.9
Employer contributions % of member's salary	14.0%	28.4%	4.4%	
<i>Principal actuarial assumptions</i>	%	%	%	
Discount rate (net of tax)	5.2	4.8	6.3	
Expected return on plan assets (net of tax)	7.5	5.5	8.0	
Future salary increases	4.0	3.5	4.0	

The Group does not have a legal liability to make up a deficit in the plan and has no legal right to benefit from any surplus in the plans. Any surplus will be realised through reduced future Company contributions.

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

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

(d) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Cash	3.0	5.5	1.3	1.5
Equity instruments	526.2	593.3	163.2	179.5
Debt instruments	308.9	335.0	69.7	76.7
Property	41.1	50.7	21.1	23.2
Other assets	28.8	35.9	7.9	8.7
	<u>908.0</u>	<u>1,020.4</u>	<u>263.2</u>	<u>289.6</u>

(e) Reconciliations

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
<i>Reconciliation of the present value of the defined benefit obligation, which is partly funded:</i>				
Balance at the beginning of the year	1,067.8	1,073.4	269.1	238.7
Current service cost	30.6	37.9	6.6	7.1
Interest cost	64.3	56.9	15.6	11.5
Actuarial losses (gains)	(13.7)	4.0	9.9	36.2
Foreign currency exchange rate changes	(70.5)	1.2	-	-
Benefits paid	(92.8)	(106.6)	(35.7)	(24.5)
Loss (gains) on curtailments	(9.9)	2.5	-	-
Acquired in business combination	95.1	-	-	-
Other	(1.0)	(1.5)	-	0.1
Balance at the end of the year	<u>1,069.9</u>	<u>1,067.8</u>	<u>265.5</u>	<u>269.1</u>

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
<i>Reconciliation of the fair value of plan assets:</i>				
Balance at the beginning of the year	1,020.4	947.8	289.6	247.3
Expected return on plan assets	77.5	68.0	20.5	16.3
Actuarial gains (losses)	(156.4)	55.1	(18.5)	41.6
Foreign currency exchange rate changes	(54.9)	2.0	-	-
Contributions by Group companies	51.3	57.9	7.0	8.9
Tax on employer contributions	(8.1)	(8.7)	(1.1)	(1.4)
Contributions by plan participants	6.3	6.4	1.4	1.4
Benefits paid	(92.8)	(106.6)	(35.7)	(24.5)
Gain (loss) on curtailments	(4.7)	-	-	-
Acquired in business combination	70.4	-	-	-
Other	(1.0)	(1.5)	-	-
Balance at the end of the year	<u>908.0</u>	<u>1,020.4</u>	<u>263.2</u>	<u>289.6</u>

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

(f) Amounts recognised in income statement

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Current service cost	30.6	37.9	6.6	7.1
Contributions by plan participants	(6.3)	(6.4)	(1.4)	(1.4)
Interest cost	64.3	56.9	15.6	11.5
Expected return on plan assets	(77.5)	(68.0)	(20.5)	(16.3)
Increase in allowance for contributions tax on net liability	2.7	4.6	-	0.2
Losses (gains) on curtailments and settlements	(5.2)	2.5	-	-
Total included in employee benefits expense	<u>8.6</u>	<u>27.5</u>	<u>0.3</u>	<u>1.1</u>
Actual return on plan assets	<u>(78.9)</u>	<u>121.7</u>	<u>2.0</u>	<u>57.9</u>

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

Actuarial gains and losses incurred during the year, adjusted for contributions tax where applicable, and recognised in the statement of recognised income and expense were a \$175.1M loss for the consolidated Group (2007: \$70.1M gain) and a \$33.4M loss for the parent entity (2007: \$6.3M gain).

Cumulative actuarial gains and losses recognised in the statement of recognised income and expense were a \$135M loss for the consolidated Group (2007: \$40.1M gain) and a \$25.3M loss for the parent entity (2007: \$8.1M gain).

(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 2009 are \$41.8M (parent entity: \$4.5M).

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 35(c).

(i) Net financial position of the Australian plan

In accordance with AAS 25 *Financial Reporting by Superannuation Plans* the BlueScope Steel Superannuation Fund's net financial position is determined as the difference between the present value of the accrued benefits and the net market value of plan assets. This has been determined as at the date of the most recent financial report of the superannuation fund (30 June 2007), and a surplus of \$44.4M was reported.

The surplus as at 30 June 2007 under AAS 25 differs from the net asset of \$59.9M recognised in the balance sheet as at 30 June 2007 due to different measurement rules in the relevant accounting standards AAS 25 and AASB 119 *Employee Benefits*.

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

(j) Experience adjustments

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

36 Contributed equity

		Parent entity		Parent entity	
	Notes	2008 Shares	2007 Shares	2008 \$M	2007 \$M
(a) Share capital					
Issued and fully paid ordinary shares	(c)	<u>759,943,380</u>	<u>733,828,317</u>	<u>2,151.2</u>	<u>1,896.0</u>

36 Contributed equity (continued)

(b) Movements in ordinary share capital:

Date	Details	Notes	Number of shares	Issue/ redemption price	\$M
1 July 2006	Opening balance		698,856,440		1,653.9
Various	Long term incentive plan - 2003	(e)	2,589,269	\$3.23	8.3
22 September 2006	Employee share plan - 2003	(f)	204,400	\$4.88	1.0
4 October 2006	Long term incentive plan - special share rights	(g)	40,000	\$7.95	0.3
24 October 2006	Dividend reinvestment plan - 2006 final	(d)	7,494,951	\$6.52	48.9
24 October 2006	Dividend reinvestment plan - 2006 final	(d)	17,856,029	\$6.68	119.3
5 March 2007	Employee share plan - 2007	(f)	1,419,390	\$9.42	13.4
5 March 2007	Employee share plan share forfeitures	(f)			0.5
2 April 2007	Dividend reinvestment plan - 2007 interim	(d)	5,233,909	\$9.35	48.9
4 May 2007	Employee share plan - 2007	(f)	130,590	\$11.59	1.5
4 May 2007	Employee share plan - 2007	(f)	<u>3,339</u>	<u>\$9.42</u>	<u>-</u>
30 June 2007	Balance		733,828,317		1,896.0
Various	Long term incentive plan - 2002	(e)	158,200		-
Various	Long term incentive plan - 2003	(e)	255,509	\$3.23	0.8
Various	Long term incentive plan - 2004	(e)	1,212,458	\$5.14	6.2
Various	Long term incentive plan - 2005	(e)	23,400	\$3.89	0.1
Various	Long term incentive plan - 2006	(e)	62,000	\$5.53	0.3
4 September 2007	Employee share plan - 2004	(f)	210,450	\$7.86	1.7
1 October 2007	Employee share plan share forfeitures	(f)			0.3
23 October 2007	Dividend reinvestment plan - 2007 final	(d)	5,552,248	\$10.83	60.1
2 November 2007	Employee share plan - 2008	(f)	1,354,107	\$10.34	14.0
7 February 2008	Employee share plan - 2008	(f)	145,530	\$10.44	1.5
1 April 2008	Dividend reinvestment plan - 2008 interim	(d)	4,793,397	\$9.37	44.9
1 April 2008	Dividend reinvestment plan - 2008 interim	(d)	12,347,764	\$9.60	118.5
	Plus: Tax credit recognised directly in equity				6.6
	Rounding				<u>0.2</u>
30 June 2008	Balance		<u>759,943,380</u>		<u>2,151.2</u>

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding-up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

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

(d) Dividend reinvestment plan

The dividend reinvestment plan enables shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash. The dividend reinvestment plan was fully underwritten in respect of the financial year 2006 final ordinary dividend and the financial year 2008 interim ordinary dividend.

(e) Share rights

Information relating to the Long Term Incentive Plan, including details of share rights issued, vested and lapsed during the financial year and share rights outstanding at the end of the financial year, is set out in note 52(a).

36 Contributed equity (continued)

(f) Employee share plans

Information relating to employee share plans, including details of shares issued under plans, is set out in note 52(b).

(g) Special share rights plan

Special share rights are awarded from time to time to meet specific or exceptional demands. Special share rights which were awarded in 2004 to Mr Lance Hockridge to facilitate the effective integration and turn around of the North American Coated and Building Products business, vested and were exercised in the previous period.

Information relating to special share rights issued during the current period that remain unvested and unexercised at 30 June 2008 is set out in note 52(c).

(h) Capital risk management

Management monitors its capital structure through various key financial ratios with emphasis on the gearing ratio (net debt / total capital). The target for the Group's gearing ratio is between 30% and 35% in order to ensure a solid investment grade quality balance sheet through the steel price cycle, and to ensure access to finance at reasonable cost regardless of the point in the cycle. On occasions, the Group will take advantage of certain investment opportunities when gearing may be stretched beyond this point, provided there is sufficient future cash flow strength and flexibility to be confident of credit strengthening going forward, rather than uncertainty and risk of credit weakening.

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

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Total interest bearing liabilities (notes 27 & 32)	1,765.8	1,538.1	2,476.3	2,743.8
Less: Cash and cash equivalents (note 11)	(44.1)	(36.4)	(0.1)	(0.1)
Net debt	1,721.7	1,501.7	2,476.2	2,743.7
Total equity	3,941.8	3,865.0	2,861.8	2,548.0
Total capital	5,663.5	5,366.7	5,338.0	5,291.7
Gearing ratio	30.4 %	28.0 %	46.4 %	51.8 %

37 Reserves and retained profits

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Available-for-sale investments revaluation reserve	-	110.0	-	-
Hedging reserve - cash flow hedges	3.4	(2.1)	-	0.8
Share-based payments reserve	13.7	16.0	13.7	16.0
Foreign currency translation reserve	(303.4)	(121.3)	-	-
Non-distributable profits reserve	4.7	4.4	-	-
	(281.6)	7.0	13.7	16.8

(a) Reserves

37 Reserves and retained profits (continued)

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Movements:				
<i>Available-for-sale investments revaluation reserve</i>				
Opening balance	110.0	-	-	-
Revaluation - gross	(29.2)	157.2	-	-
Deferred tax (note 33)	8.8	(47.2)	-	-
Transfer to net profit - gross	(128.0)	-	-	-
Deferred tax (note 33)	38.4	-	-	-
Closing balance	-	110.0	-	-
<i>Hedging reserve - cash flow hedges</i>				
Opening balance	(2.1)	(1.1)	0.8	-
Net gain (loss)	(1.4)	(7.1)	(8.7)	1.7
Transfers to inventory	9.3	5.8	7.6	(0.6)
Deferred tax	(2.5)	0.2	0.3	(0.3)
Disposals	-	(0.1)	-	-
Exchange fluctuation	0.1	0.2	-	-
Closing balance	3.4	(2.1)	-	0.8
<i>Share-based payments reserve</i>				
Opening balance	16.0	17.7	16.0	17.7
Share-based payments expense	6.9	8.0	6.9	8.0
Transfer to share capital	(9.2)	(9.7)	(9.2)	(9.7)
Closing balance	13.7	16.0	13.7	16.0
<i>Foreign currency translation reserve</i>				
Opening balance	(121.3)	(107.7)	-	-
Transfers to net profit	0.5	22.2	-	-
Net gain (loss) on hedges of net investments	160.4	(91.7)	-	-
Deferred tax (note 9)	(48.1)	27.5	-	-
Currency translation differences arising during the year	(294.9)	28.4	-	-
Closing balance	(303.4)	(121.3)	-	-
<i>Non-distributable profits reserve</i>				
Opening balance	4.4	4.1	-	-
Transfers from retained profits (b)	0.1	0.4	-	-
Exchange fluctuations	0.2	(0.1)	-	-
Closing balance	4.7	4.4	-	-

37 Reserves and retained profits (continued)

(b) Retained profits

Movements in retained profits were as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Opening balance	1,894.7	1,467.1	635.2	405.8
Profit for the year	596.2	685.6	439.7	546.2
Dividends paid (note 38)	(354.6)	(321.2)	(354.6)	(321.2)
Transfers to reserves (a)	(0.1)	(0.4)	-	-
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	(175.1)	70.1	(33.4)	6.3
Deferred tax	36.4	(6.5)	10.0	(1.9)
Closing balance	<u>1,997.5</u>	<u>1,894.7</u>	<u>696.9</u>	<u>635.2</u>

(c) Nature and purpose of reserves

(i) Available-for-sale investments revaluation reserve

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

(ii) Hedging reserve - cash flow hedges

This reserve is used to record gains or losses on hedging instruments that are determined to be an effective hedge and therefore qualify for hedge accounting, as described in note 1(o). The Company has historically maintained cash flow hedging programs in relation to electricity and zinc purchases. In June 2008 the Company completed its participation in the zinc hedging program. The Company continues to hedge future cash flows in relation to electricity costs used in the production of steel in New Zealand. Gains or losses from hedging instruments are recognised within inventory in the balance sheet when these future hedged cash flows are transacted.

(iii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of unexercised share rights issued to employees that may or may not have meet vesting conditions. The share-based payments reserve is also used to recognise the fair value of benefits awarded under employee share plans that have not vested at the reporting date. Once share rights are exercised and/or benefits under share plans have vested, the fair value is transferred across into ordinary issued share capital. Refer to note 52(a) for details of share rights exercised during the period.

(iv) Foreign currency translation reserve

Exchange differences arising on translation of the foreign controlled entity are taken to the foreign currency translation reserve, as described in note 1(e). It is also used to record the effect of hedging net investments in foreign operations. The reserve is recognised in profit and loss when a foreign controlled entity is disposed of.

(v) Non-distributable profit reserve

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

38 Dividends

	2008	Parent	2007
	\$M		\$M
(a) Ordinary shares			
Final dividend for the year ended 30 June 2007 of 26 cents (2006: 24 cents) per fully paid share paid on 23 October 2007 (2006: 24 October 2006)			
Final fully franked based on tax paid @ 30%	<u>191.2</u>		<u>168.3</u>
	191.2		168.3
Interim dividend for the year ended 30 June 2008 of 22 cents (2007: 21 cents) per fully paid share paid on 1 April 2008 (2007: 2 April 2007)			
Fully franked based on tax paid @ 30%	<u>163.4</u>		<u>152.9</u>
Total dividends provided for or paid	<u>354.6</u>		<u>321.2</u>

(b) Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of a final dividend of 27 cents (2007: 26 cents) per fully paid ordinary share, fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 22 October 2008 out of retained profits at 30 June 2008, but not recognised as a liability at year end, is

<u>205.2</u>	<u>190.8</u>
---------------------	---------------------

(c) Franked dividends

The franked portions of the final dividends recommended after 30 June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2008.

	2008	Parent	2007
	\$M		\$M
Actual franking account balance as at the reporting date	89.0		129.7
Franking credits that will arise from the payment of income tax payable as at the reporting date	<u>133.8</u>		<u>25.1</u>
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>222.8</u>		<u>154.8</u>

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

- (a) franking credits that will arise from the payment 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.

The impact on the franking account of the dividend recommended by the directors since year end, but not recognised as a liability at year end, will be a reduction in the franking account of \$87.9M (2007: \$81.8M).

(d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is \$249.6M as presented in the cash flow statements. Dividend amounts of \$60.1M and \$44.9M were re-invested through the Company's dividend re-investment plan for the respective 2007 final and 2008 interim dividends (refer note 36(b)).

39 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 (from 1 November 2007)

K C Adams, Managing Director (until 31 October 2007)

P F O'Malley was appointed an executive director on 6 August 2007 and held his title as Chief Financial Officer until being appointed Managing Director.

(iii) Non-executive directors

R J McNeilly

D J Grady

H K McCann, AM

P J Rizzo

Y P Tan

D B Grollo

(b) Other key management personnel

In addition to P F O'Malley and K C Adams, 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 financial year:

<i>Name</i>	<i>Position</i>	<i>Period</i>
L E Hockridge	President - BlueScope Steel North America	(until 7 November 2007)
N H Cornish	President - Australian and New Zealand Industrial Markets	(until 1 November 2007)
	Chief Executive - Australian and New Zealand Steel Manufacturing Businesses	(from 2 November 2007)
P F O'Malley	Chief Financial Officer	(until 31 October 2007)
K J Fagg	President - Asian Building and Manufacturing Markets	(until 1 November 2007)
	President - Asia	(from 2 November 2007 until 24 April 2008)
B G Kruger	President - Australian Manufacturing Markets	(until 1 November 2007)
	President - North America and Corporate Strategy and Innovation	(from 2 November 2007)
I R Cummin	Executive General Manager - People and Organisational Performance	
M Vassella	President - BlueScope Distribution	(from 3 August 2007 until 1 November 2007)
	Chief Executive - Australia Distribution and Solutions	(from 2 November 2007)
M Barron	Chief Legal Officer and Company Secretary	(from 2 November 2007)
P O'Keefe	Chief Executive - Australian Coated and Industrial Markets	(from 2 November 2007)
S R Elias	Chief Financial Officer	(from 3 March 2008)

A reorganisation of the internal management structure took place during the current reporting period. As a result a number of positions within the Executive Leadership Team were altered. The new management structure was announced and took effect from 2 November 2007.

L E Hockridge resigned from the Company and Executive Leadership Team on 7 November 2007.

K J Fagg resigned from the Company and Executive Leadership Team on 24 April 2008.

B G Kruger has announced his resignation from the Company and Executive Leadership Team which will take effect from 19 September 2008.

39 Key management personnel disclosures (continued)

(c) Key management personnel compensation

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Short-term employee benefits	13,078.2	11,099.8	13,078.2	11,099.8
Post-employment benefits	622.1	680.6	622.1	680.6
Other long-term benefits	264.8	240.9	264.8	240.9
Termination benefits	675.0	-	675.0	-
Share-based payments	3,403.4	1,836.9	3,403.4	1,836.9
	<u>18,043.5</u>	<u>13,858.2</u>	<u>18,043.5</u>	<u>13,858.2</u>

(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 2008 Remuneration Report.

(ii) *Share rights holdings*

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

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

All vested share rights are exercisable at the end of the year.

¹End balance for this key management personnel is taken as at 31 October 2007.

²End balance for these key management personnel is taken as at cessation of employment.

³Start balance for these key management personnel relates to rights granted prior to their appointment to the Executive Leadership Team.

39 Key management personnel disclosures (continued)

2007	Balance at start of the year	Granted as compensation	Exercised	Lapsed	Other changes	Balance at end of the year	Vested and exercisable	Unvested
Name								
Directors of BlueScope Steel Limited								
K C Adams	618,400	215,900	(264,663)	-	-	569,637	-	569,637
Other key management personnel								
L E Hockridge	266,200	78,200	(109,349)	-	-	235,051	27,751	207,300
N H Cornish	170,900	70,100	(71,200)	-	-	169,800	-	169,800
P F O'Malley	51,000	70,100	-	-	-	121,100	-	121,100
K J Fagg	184,300	69,000	(58,993)	-	-	194,307	23,607	170,700
B G Kruger	179,900	64,700	(55,493)	-	-	189,107	22,207	166,900
I R Cummin	173,500	53,900	(94,700)	-	-	132,700	-	132,700

(iii) *Share holdings*

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

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

¹End balance for this key management personnel is taken as at 31 October 2007.

²End balance for these key management personnel is taken as at cessation of employment.

³Start balance for these key management personnel is taken at the date of appointment to the Executive Leadership Team.

39 Key management personnel disclosures (continued)

2007					
Name	Balance at the start of the year	Received during the year on the exercise of options	Shares granted as compensation	Other changes during the year	Balance at the end of the year
Directors of BlueScope Steel Limited					
G J Kraehe	125,004	-	-	5,350	130,354
R J McNeilly	541,887	-	-	2,370	544,257
D J Grady	50,685	-	-	1,720	52,405
H K McCann	31,185	-	-	11,662	42,847
P J Rizzo	32,024	-	-	1,845	33,869
Y P Tan	24,017	-	-	2,021	26,038
D B Grollo	-	-	-	2,955	2,955
(appointed 27 September 2006)					
K C Adams	2,346,381	264,663	-	1,802	2,612,846
Other key management personnel					
Ordinary shares					
L E Hockridge	509,851	109,349	-	159	619,359
N H Cornish	180,000	71,200	-	(102,159)	149,041
P O'Malley	25,000	-	-	-	25,000
(appointed 19 December 2006)					
K J Fagg	148,400	58,993	-	159	207,552
B G Kruger	211,185	55,493	-	(64,841)	201,837
I R Cummin	106,089	94,700	-	(19,841)	180,948

(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

(i) Directors of BlueScope Steel Limited

Mr Graham Kraehe was the non-executive chairman of National Australia Bank, a supplier of banking services and funding facilities, until September 2005, at which time he resigned. Mr Paul Rizzo is an independent non-executive director of the National Australia Bank. National Australia Bank forms part of a consortium of 12 banks providing funding to the BlueScope Steel Group. Decisions required by the consortium are by majority (as a minimum), and as such is not disclosed as a related party transaction.

Other net interest and banking service fees charged to the BlueScope Steel Group by National Australia Bank for the 12 months ended 30 June 2008 was \$28,982 (2007: \$2,707).

Mr Graham Kraehe became a non-executive director of Brambles Industries Limited, effective December 2005. There were no services provided in the current or previous period. In the June 2007 accounts an amount of \$56,446,181 was disclosed as services provided to the BlueScope Steel Group. Upon further investigation it was discovered that Brambles Industries Limited no longer carries an ownership interest in their previous Brambles Industrial Services business, which continues to provide services to the BlueScope Steel Group.

Mr Kevin McCann is chairman of Origin Energy Limited. Origin Energy Limited is one of a number of suppliers that provide energy to the company on normal commercial terms and conditions. Total amount charged to the BlueScope Steel Group by Origin Energy for the 12 months ended 30 June 2008 was \$16,503,518 (2007: \$15,283,648).

Mr Daniel Grollo is a director of Grocon Pty Ltd. Grocon occasionally purchase Lysaght building products from the BlueScope Steel Group on normal terms and conditions. Total amount purchased from the BlueScope Steel Group by Grocon for the 12 months ended 30 June 2008 was \$1,453,680 (2007: \$56,745).

Mr Ronald McNeilly is the non-executive chairman of Worley Parsons. Worley Parsons is a provider of industrial services to the BlueScope Steel Group. Total amount charged to the BlueScope Steel Group by Worley Parsons for the 12 months ended 30 June 2008 was \$556,106 (2007: \$321,076).

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

40 Remuneration of auditors

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
(a) Audit services				
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i> :				
Ernst & Young Australian firm	2,205,700	1,925,239	1,292,100	1,173,582
Related practices of Ernst & Young Australia firm (including overseas Ernst & Young firms)	<u>2,649,033</u>	<u>1,896,968</u>	-	-
Total remuneration for audit services	<u>4,854,733</u>	<u>3,822,207</u>	<u>1,292,100</u>	<u>1,173,582</u>
(b) Non-audit services				
Real estate advisory services				
Ernst & Young Australian firm	75,000	-	-	-
Tax compliance services				
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)	<u>391,521</u>	<u>195,000</u>	-	-
Total remuneration for non-audit services	<u>466,521</u>	<u>195,000</u>	<u>-</u>	<u>-</u>

41 Contingencies

(a) Contingent liabilities

The parent entity and Group had contingent liabilities at 30 June 2008 in respect of:

Outstanding legal matters

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Litigation cases	<u>0.6</u>	<u>1.7</u>	<u>0.3</u>	<u>0.4</u>
	<u>0.6</u>	<u>1.7</u>	<u>0.3</u>	<u>0.4</u>

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. Particulars relating to material cases are described below.

- Verzatec Incorporated is requesting that BlueScope Steel North America (BSNA) refund USD 17M consideration (and interest) for land it acquired from Steelscape in December 2005 on the claim the sale was never finalised. Verzatec served Steelscape with a lawsuit in April 2008 and is currently in discussions over settlement. BlueScope Steel North America has given Ternium S.A. notice of this dispute and is seeking indemnity from Ternium as provided under the terms and conditions of the purchase agreement under which BSNA acquired Steelscape.
- Coca-Cola Enterprises has a USD 5M joint lawsuit pending against Butler Manufacturing Company and a Butler builder for defective construction work performed and damages to their Louisiana facility. At reporting date uncertainty exists around Butler Manufacturing Company's exposure given current testimonies claiming improper installation rather than defective Butler products as the cause.

41 Contingencies (continued)

Guarantees

In Australia, BlueScope Steel Limited has given \$139.1M (June 2007: \$143.7M) in guarantees to various state workers' compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of \$90.5M (June 2007: \$94.8M) has been recorded in the consolidated financial statements as recommended by independent actuarial advice.

Bank guarantees have been provided to customers in respect of the performance of goods and services supplied. Bank guarantees outstanding at 30 June 2008 totalled \$34.1M (30 June 2007: \$22M).

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

Associates and joint ventures

For contingent liabilities relating to associates and joint ventures refer to notes 47 and 48 respectively.

Taxation

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

(b) Contingent assets

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

- The Group is seeking to recoup \$10M from Inductoheat for loss of profits and faulty workmanship in relation to contracted upgrades made to New Zealand Steel's metal coating line. This matter is currently being pursued in the High Court of New Zealand.
- Butler Manufacturing Company was previously awarded damages from Louisiana Pacific Corporation arising out of its purchase of defective inner-seal products, and received cash of \$30.4M (USD 21M). An additional outstanding amount of \$11.6M (USD 11.2M) was recently reversed by the Minnesota Court of Appeals. This decision is currently being contested by Butler and has not been recognised as a receivable at 30 June 2008 due to the uncertain outcome of this appeal.
- BlueScope Steel (AIS) Pty Ltd has lodged a claim for the cumulation of workers compensation insurance claims on old 'pre-demergers' policies. The insurance company's position is unclear and therefore recoveries remain uncertain.

42 Commitments

(a) Capital commitments

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
<i>Property, plant and equipment</i>				
Payable:				
Within one year	80.1	47.7	17.4	12.2
Later than one year but not later than five years	-	4.2	-	-
Later than five years	-	-	-	-
	<u>80.1</u>	<u>51.9</u>	<u>17.4</u>	<u>12.2</u>

Joint ventures

For commitments relating to joint ventures refer to note 48.

42 Commitments (continued)

(b) Lease commitments - Group as lessee

(i) Non-cancellable operating leases

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:				
Within one year	88.7	60.2	20.1	20.9
Later than one year but not later than five years	236.9	166.5	51.0	47.1
Later than five years	217.3	163.3	12.9	17.9
	<u>542.9</u>	<u>390.0</u>	<u>84.0</u>	<u>85.9</u>

(ii) Finance leases

The Group leases various plant, machinery & equipment with a carrying amount of \$2.6M (2007: \$0.5M). The leases have varying terms, purchase options and escalation clauses. On renewal, the terms of the leases are renegotiated. There are no restrictions place upon the lessee by entering into these leases.

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Commitments in relation to finance leases are payable as follows:				
Within one year	1.1	0.5	-	-
Later than one year but not later than five years	2.4	0.5	-	-
Later than five years	0.2	0.4	-	-
Minimum lease payments	<u>3.7</u>	<u>1.4</u>	<u>-</u>	<u>-</u>
Future finance charges	(0.3)	(0.2)	-	-
Recognised as a liability	<u>3.4</u>	<u>1.2</u>	<u>-</u>	<u>-</u>
Representing lease liabilities:				
Current (note 27)	0.8	0.1	-	-
Non-current (note 32)	<u>2.6</u>	<u>1.1</u>	<u>-</u>	<u>-</u>
	<u>3.4</u>	<u>1.2</u>	<u>-</u>	<u>-</u>

43 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 45.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 39.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
<i>Sales of goods and services</i>				
Sales of goods to subsidiaries	-	-	595.9	330.6
Sales of goods to joint venture partnerships	29.5	25.5	0.2	13.8
<i>Purchases of goods</i>				
Purchases of raw materials from subsidiaries	-	-	1,568.5	1,465.4
<i>Purchases of services</i>				
Purchase of transport services from subsidiaries	-	-	230.7	216.0
<i>Tax consolidation legislation</i>				
Current tax payable assumed from wholly owned tax consolidated entities	-	-	256.3	122.7
Tax losses assumed from wholly owned tax consolidated entities	-	-	(17.7)	(6.3)
<i>Dividend revenue</i>				
Subsidiaries	-	-	601.7	659.8
<i>Management and guarantee fee revenue</i>				
Subsidiaries	-	-	4.9	3.6
<i>Interest revenue</i>				
Subsidiaries	-	-	63.9	80.6
Associates	0.1	0.1	-	-
Other related parties	2.9	2.8	-	-
<i>Interest expense</i>				
Subsidiaries	-	-	176.9	149.0
Joint venture partnership	0.9	1.4	-	-
<i>Other revenue</i>				
Subsidiaries	-	-	8.4	8.4
<i>Superannuation contributions</i>				
Contributions to superannuation funds on behalf of employees	114.6	108.1	32.0	33.0

43 Related party transactions (continued)

(e) Outstanding balances

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

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
<i>Current receivables (sales of goods and services)</i>				
Subsidiaries	-	-	138.6	98.6
Joint venture partnerships	7.1	1.9	2.7	1.3
<i>Current receivables (tax funding agreement)</i>				
Wholly owned tax consolidated entities	-	-	256.3	122.7
<i>Current receivables (loans)</i>				
Subsidiaries	-	-	1,556.3	2,072.6
Associates	1.1	1.2	-	-
Other related parties	4.4	3.9	-	-
<i>Non-current receivables (loans)</i>				
Other related parties	15.7	20.0	-	-
<i>Current payables (purchases of goods)</i>				
Subsidiaries	-	-	190.7	132.1
<i>Current payables (loans)</i>				
Subsidiaries	-	-	2,284.2	2,366.7
<i>Current payables (tax funding agreement)</i>				
Wholly owned tax consolidated entities	-	-	17.7	6.3

A provision for doubtful debts of \$18.6M (2007: \$1.4M) has been raised in relation to outstanding balances due from related parties in the parent entity.

(f) Loans to/from related parties

	Consolidated		Parent	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M
<i>Loans to subsidiaries</i>				
Loan repayments (advances)	-	-	423.6	(682.3)
<i>Loans from joint venture partnerships</i>				
Proceeds	126.1	163.8	-	-
Repayment	(126.1)	(163.8)	-	-
<i>Loans to other related parties</i>				
Advance	-	(29.4)	-	-
Repayment	3.9	5.5	-	-

43 Related party transactions (continued)

(g) Guarantees

The parent entity has provided guarantees in respect of:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Bank overdrafts and loans of subsidiaries (unsecured)	-	-	2,321.7	1,594.1
Sale of receivables program (unsecured)	-	-	-	300.0
Other loans (unsecured)	-	-	311.8	354.3
Trade finance facilities	-	-	194.9	211.3
Supply/service agreements	-	-	-	95.8
	<u>-</u>	<u>-</u>	<u>2,828.4</u>	<u>2,555.5</u>

(h) Terms and conditions

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

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

Other director transactions with group entities

Transactions with related parties of directors of wholly owned subsidiaries within the BlueScope Steel Group total \$1.0M (June 2007: \$2.3M). These transactions have been made on commercial arm's-length terms and conditions.

44 Business combination

(a) Summary of acquisitions

(i) Smorgon Distribution (Australia Distribution & Solutions)

On 3 August 2007, BlueScope Steel Limited acquired the distribution business of Smorgon Steel Limited for \$730M. The legal entities forming the distribution business of Smorgon Steel Limited include Smorgon Steel Distribution Pty Ltd, Metalcorp Steel Pty Ltd, and Metalcorp Manufacturing Pty Ltd. The 179,124,278 of Smorgon Steel Limited shares previously held by BlueScope Steel Limited were bought back for \$2.50 per share (\$447.3M) realising a pre-tax profit on disposal of \$128M. The proceeds were utilised to acquire Smorgon Distribution.

From the date of acquisition, Smorgon Distribution has contributed revenues of \$1,360.2M and earnings before interest and tax of \$65.1M to the Group. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated earnings before interest and tax for the year ended 30 June 2008 would have been \$1,507.0M and \$67.4M respectively.

(ii) HCI Steel Building Systems (Coated & Building Products North America)

On 1 November 2007, Butler Manufacturing Company acquired 100% of the share capital in HCI Steel Building Systems Incorporated (HCI) for USD 34.5M. HCI designs and manufactures steel building solutions for the heavy industrial, commercial and community end-use segments. It has a manufacturing plant in Arlington, Washington. HCI complements Butler's current operations in North America and services customers in the north-western region of the US and western Canada through a network of authorised builders.

From the date of acquisition, HCI has contributed revenues of \$22.1M and earnings before interest and tax of negative \$3.4M to the Group. If the acquisition had occurred on 1 July 2007, consolidated revenue and consolidated earnings before interest and tax for the year ended 30 June 2008 would have been \$44.8M and \$2.3M respectively.

44 Business combination (continued)

(iii) IMSA Steel Corporation (Coated & Building Products North America)

On 1 February 2008, BlueScope Steel North America acquired 100% of the share capital of IMSA Steel Corporation (IMSA) for USD 730M. A former NYSE listed public company, IMSA has four distinct businesses with manufacturing facilities throughout the United States of America and sales throughout North America. These include:

- Varco Pruden Buildings - a leading North American manufacturer of pre-engineered building systems (PEBs) for the non-residential market with five manufacturing facilities. It has a total processing capacity of approximately 210,000 tons per annum.
- Steelscape - a leading west coast producer of metal coated and painted steel coils with three production facilities. Steelscape has a total capacity of approximately 500,000 tons per annum of metal coated steel products and 350,000 tons per annum of painting capacity.
- Metl-Span - a leading North American manufacturer of insulated steel panels for commercial, industrial and cold storage buildings. Metl-Span has five production facilities across the United States of America.
- ASC Profiles - a leading North American manufacturer of building components including architectural roof and wall systems and structural roof and floor decking. ASC has ten production facilities located primarily in western United States of America.

From the date of acquisition, IMSA has contributed revenues of \$607.2M and earnings before interest and tax of \$25.7M to the Group. If the acquisition had occurred on 1 July 2007, consolidated revenue and earnings before interest and tax for the year ended 30 June 2008 would have been \$1,408.7M and \$43.7M respectively.

(iv) Laser Dynamics Australia Pty Ltd (Australia Distribution & Solutions)

On 1 February 2008, BlueScope Distribution Pty Ltd acquired 100% of the share capital in Laser Dynamics Australia Pty Ltd for \$8.0M. Laser Dynamics is a Brisbane-based business with expertise in the precision laser cutting of steel.

Due to the relative size of the acquisition, acquisition details are considered immaterial at the consolidated Group reporting level and have not been separately disclosed. Please refer to the aggregated 'other' column in this note.

(v) B H Tank Works Incorporated (Australia Distribution & Solutions)

On 28 February 2008, BlueScope North America acquired 100% of the share capital in B H Tank Works Incorporated (B H Tanks) for \$3.5M. B H Tanks is situated in California, USA and provides a range of water storage tanks well-suited to rainwater harvesting in addition to rural and commercial applications. B H Tanks specialises in the manufacture and supply of corrugated, welded and bolted tanks in addition to providing integrated field erection services for tanks.

Due to the relative size of this acquisition, acquisition details are considered immaterial at the consolidated group reporting level and have not been separately disclosed. Please refer to the aggregated 'other' column below.

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	Smorgon Distribution \$M	IMSA Steel Corp. \$M	HCI Steel Building Systems \$M	Other \$M	Total \$M
Purchase consideration (b)					
Cash paid	730.2	798.5	38.1	11.5	1,578.3
Direct costs relating to the acquisition	19.8	9.4	0.4	0.1	29.7
Total purchase consideration	750.0	807.9	38.5	11.6	1,608.0
Fair value of net identifiable assets acquired (c)	389.2	508.2	7.9	1.4	906.7
Goodwill	360.8	299.7	30.6	10.2	701.3

Note: The goodwill arising from the February 2008 acquisition of the IMSA Group is provisional. AASB 3 *Business Combinations* allows an acquirer up to twelve months from the acquisition date to finalise the acquisition balance sheet.

44 Business combination (continued)

(b) Purchase consideration

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Outflow of cash to acquire subsidiary, net of cash acquired				
Purchase consideration	1,608.0	9.0	750.0	-
less: Accrued acquisition costs	(6.4)	-	-	-
plus: Deferred purchase price payments on prior year acquisitions	3.7	-	-	-
Cash consideration	1,605.3	9.0	750.0	-
less: Cash balances acquired	55.5	0.5	0.1	-
Outflow of cash	1,549.8	8.5	749.9	-

(c) Assets and liabilities acquired

The assets and liabilities arising from the acquisition are as follows:

	Smorgon Distribution		IMSA Steel Corp.		HCI Steel Building Systems		Other	
	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value	Acquiree's carrying amount	Fair value
	\$M	\$M	\$M	\$M	\$M	\$M	\$M	\$M
Cash & cash equivalents	0.1	0.1	51.6	51.6	3.4	3.4	0.4	0.4
Receivables	261.9	260.3	123.8	120.2	4.5	4.5	2.5	2.4
Inventories	257.0	246.2	145.3	173.5	4.6	5.9	1.2	1.2
Property, plant and equipment	54.1	79.2	244.2	283.4	2.2	2.2	3.8	3.2
Intangible assets	24.4	26.8	1.8	104.2	-	1.0	-	-
Deferred tax	1.4	26.1	(17.0)	(71.5)	-	(0.2)	(0.2)	0.1
Other assets	3.4	3.4	7.6	6.6	0.1	0.1	-	-
Payables	(219.4)	(219.0)	(92.9)	(94.1)	(4.5)	(4.9)	(1.5)	(1.5)
Provisions	(18.7)	(33.9)	(39.8)	(50.2)	(0.4)	(0.7)	(0.1)	(0.1)
Other liabilities	-	-	(21.5)	(12.7)	(2.1)	(3.3)	-	-
Interest bearing liabilities	-	-	(2.8)	(2.8)	(0.1)	(0.1)	(4.3)	(4.3)
Net identifiable assets acquired	364.2	389.2	400.3	508.2	7.7	7.9	1.8	1.4

Total net identifiable assets acquired 906.7

45 Subsidiaries

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

Name of entity	Country of incorporation	Equity holding	
		2008 %	2007 %
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)(e)	Australia	100	-
BlueScope Steel Asia Holdings Pty Ltd	Australia	100	100
BlueScope Steel (AIS) Pty Ltd	Australia	100	100
BlueScope Steel Employee Share Plan Pty Ltd	Australia	100	100
BlueScope Steel (Finance) Ltd	Australia	100	100
BlueScope Steel Logistics Co Pty Ltd (a)	Australia	100	100
BlueScope Steel Middle East Investments Pty Ltd	Australia	100	100
BlueScope Pty Ltd	Australia	100	100
BlueScope Water Pty Ltd (a)	Australia	100	100
Glenbrook Holdings Pty Ltd	Australia	100	100
Highline Ltd (a)	Australia	100	100
John Lysaght (Australia) Pty Ltd	Australia	100	100
Laser Dynamics Australia Pty Ltd (a)(e)	Australia	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)(e)	Australia	100	-
Metalcorp Steel Pty Ltd (a)(e)	Australia	100	-
New Zealand Steel (Aust) Pty Ltd (a)	Australia	100	100
Pioneer Water Tanks (Australia 94) Pty Ltd (a)	Australia	100	100
The Roofing Centre (Tasmania) Pty Ltd (a)	Australia	100	100
Warwick Pty Ltd (g)	Australia	100	100
Butler do Brasil Limitada (g)	Brazil	100	100
BlueScope Lysaght (Brunei) Sdn Bhd	Brunei	60	60
Endeavour Industries Ltd	British Virgin Islands	100	100
BlueScope Lysaght (Guangzhou) Ltd	China	100	100
BlueScope Steel Building Solutions (Guangzhou) Ltd	China	100	100
BlueScope Lysaght (Shanghai) Ltd	China	100	100
BlueScope Steel (Shanghai) Co Ltd	China	100	100
BlueScope Steel International Trading (Shanghai) Co Ltd	China	100	100
BlueScope Steel Investment Management (Shanghai) Co Ltd	China	100	100
BlueScope Lysaght (Langfang) Ltd	China	100	100
BlueScope Lysaght (Chengdu) Ltd	China	100	100
BlueScope Steel (Suzhou) Ltd	China	100	100
Butler (Shanghai) Inc	China	100	100
Butler (Tianjin) Inc	China	100	100
Commercial Butler Limitada (h)	Chile	-	99
BlueScope Lysaght Fiji Ltd	Fiji	64	64
BlueScope Steel North Asia Ltd	Hong Kong	100	100
BlueScope Steel India (Private) Ltd	India	100	100
PT BlueScope Steel Indonesia	Indonesia	100	100
PT BlueScope Lysaght Indonesia	Indonesia	100	100
PT BRC Lysaght Distribution	Indonesia	80	80
BlueScope Steel Transport (Malaysia) Sdn Bhd	Malaysia	100	100
BlueScope Steel Logistics (Malaysia) Sdn Bhd	Malaysia	100	100
BlueScope Steel (Malaysia) Sdn Bhd	Malaysia	60	60
BlueScope Lysaght (Malaysia) Sdn Bhd	Malaysia	60	60
BlueScope Lysaght (Sabah) Sdn Bhd (b)	Malaysia	49	49
BlueScope Steel Asia Sdn Bhd	Malaysia	100	100
Global BMC (Mauritius) Holdings Ltd	Mauritius	100	100
Butler Manufacturas S de R.L. de C.V.	Mexico	100	100
Butler de Mexico S. de R.L. de C.V.	Mexico	100	100

45 Subsidiaries (continued)

Name of entity	Country of incorporation	Equity holding	
		2008 %	2007 %
Butler Europe B.V. (h)	Netherlands	-	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
BlueScope Steel International Holdings SA	Panama	100	100
BlueScope Steel Philippines Inc	Philippines	100	100
NPAH Holdings Ltd (g)	PNG	100	100
Titan Properties Ltd (g)	PNG	100	100
BlueScope Lysaght (Singapore) Pte Ltd	Singapore	100	100
BlueScope Steel Asia Pte Ltd	Singapore	100	100
Steelcap Insurance Pte Ltd	Singapore	100	100
BlueScope Steel Southern Africa (Pty) Ltd	South Africa	100	100
BlueScope Lysaght Lanka (Pvt) Ltd (f)	Sri Lanka	-	100
BlueScope Lysaght Taiwan Ltd	Taiwan	80	80
BlueScope Steel (Thailand) Ltd	Thailand	75	75
Steel Holdings Co Ltd	Thailand	100	100
BlueScope Lysaght (Thailand) Ltd	Thailand	75	75
BlueScope Steel International Ltd	UK	100	100
Butler Europe Ltd (h)	UK	-	100
ASC Profiles Inc (e)	USA	100	-
B H Tank Works Inc (e)	USA	100	-
BlueScope Steel North America Corporation	USA	100	100
BlueScope Steel Technology Inc	USA	100	100
BlueScope Steel Americas LLC	USA	100	100
BlueScope Steel Investments Inc	USA	100	100
HCI Steel Building Systems (e)	USA	100	-
IMSA Steel Corporation (e)	USA	100	-
LB Real Properties Inc	USA	100	100
Butler Manufacturing Company	USA	100	100
BIEC International Inc	USA	100	100
Butler Real Estate Inc (h)	USA	-	100
BMC Real Estate Inc	USA	100	100
Butler Holdings Inc	USA	100	100
Liberty Building Systems Inc	USA	100	100
BUCON Inc	USA	100	100
Metl-Span LLC (e)	USA	100	-
Moduline Windows Inc (h)	USA	-	100
Butler Construction Inc (h)	USA	-	100
Butler Pacific Inc	USA	100	100
Steelscape Inc (e)	USA	100	-
Varco Pruden Buildings Inc (e)	USA	100	-
Varco Pruden Holdings Inc (e)	USA	100	-
VW Corporation (h)	USA	-	100
BlueScope Lysaght (Vanuatu) Ltd (c)(d)	Vanuatu	39	39
BlueScope Buildings (Vietnam) Ltd	Vietnam	100	100
BlueScope Steel Vietnam Ltd	Vietnam	100	100

45 Subsidiaries (continued)

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

- (a) These subsidiaries have been granted relief from the necessity to prepare financial reports in accordance with Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. For further information refer to note 46.
- (b) The BlueScope Steel Group holds an ownership interest of 49% in BlueScope Steel Lysaght (Sabah) Sdn Bhd, which is classified as a controlled entity pursuant to AASB 127 *Consolidated and Separate Financial Statements* because the BlueScope Steel Group can exercise voting control.
- (c) These controlled entities are audited by firms other than Ernst & Young and affiliates.
- (d) The BlueScope Steel Group's ownership of the ordinary share capital in this entity represents a beneficial interest of 39% represented by its 65% ownership in BlueScope Acier Nouvelle Calédonie SA, which in turn has 60% ownership of the entity.
- (e) These controlled entities were acquired during the period. For further information refer to note 44.
- (f) BlueScope Lysaght Lanka (Pvt) Ltd was disposed of in April 2008 and acquired by the Tata BlueScope Steel Ltd joint-venture.
- (g) These controlled entities are in the process of being liquidated and deregistered.
- (h) These controlled entities were liquidated and deregistered during the year.

46 Deed of cross-guarantee

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

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

By entering into the deed, with the exception of Glenbrook Holdings Pty Ltd, the wholly-owned subsidiaries have been relieved from the requirement to prepare a financial report and directors' report under Class Order 98/1418 (as amended) issued by the Australian Securities and Investments Commission. Glenbrook Holdings Pty Ltd continues to form part of the deed of cross-guarantee and closed group, however is denied Class Order 98/1418 relief due to direct ownership being held from outside of the closed group. During the year Glenbrook Holdings Pty Ltd retrospectively lodged a financial report and directors' report for 2006 and 2007 due to the inability to claim this relief.

(a) Details of changes to the deed of cross-guarantee

An assumption deed was lodged with ASIC on 21 August 2007 to incorporate BlueScope Distribution Pty Ltd, Metalcorp Steel Pty Ltd and Metalcorp Manufacturing Pty Ltd into the deed of cross-guarantee in place at that date.

On 27 June 2008 a revocation deed was lodged with ASIC to take advantage of waived conditions in amended Class Order 98/1418 (March 2008) previously precluding BlueScope Water Pty Ltd and Pioneer Water (Australia 94) Pty Ltd from admission into the deed of cross-guarantee. The revocation deed facilitated the replacement of the pre-existing deed with a new deed of cross-guarantee as advertised in *The Australian* newspaper on 30 June 2008. On 27 June 2008 BlueScope Water Pty Ltd, Pioneer Water (Australia 94) Pty Ltd, Highline Ltd and Laser Dynamics Australia Pty Ltd were all admitted into the new deed in junction with pre-existing members from the old deed.

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained profits for the year ended 30 June 2008 of the closed group.

46 Deed of cross-guarantee (continued)

	2008 \$M	2007 \$M
Income statement		
Revenue	5,317.3	3,987.3
Other income	125.2	7.1
Changes in inventories of finished goods and work in progress	59.3	80.3
Raw materials and consumables used	(3,206.3)	(2,301.3)
Employee benefits expense	(646.8)	(450.8)
Depreciation and amortisation expense	(102.6)	(76.2)
Impairment of non-current assets	(27.5)	(7.4)
Freight on external despatches	(264.0)	(237.5)
External services	(266.0)	(183.0)
Finance costs	(210.9)	(179.6)
Other expenses	(241.8)	(106.4)
Share of net profits of associates and joint venture partnership accounted for using the equity method	0.2	-
Profit (loss) before income tax	536.1	532.5
Income tax (expense) revenue	28.0	41.6
Profit for the year	564.1	574.1
Summary of movements in consolidated retained profits		
Retained profits at the beginning of the financial year	702.6	445.3
Retained profits (losses) brought forward from new entities joining the deed	(10.4)	-
Net profit (loss) for the year	564.1	574.1
Dividends provided or paid	(354.6)	(321.2)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	(33.7)	6.3
Income tax on items taken directly to or transferred from equity	10.1	(1.9)
Retained profits at the end of the financial year	878.1	702.6

46 Deed of cross-guarantee (continued)

(c) Balance sheet

Set out below is a consolidated balance sheet as at 30 June 2008 of the closed group.

	2008 \$M	2007 \$M
Current assets		
Cash and cash equivalents	0.2	0.7
Trade and other receivables	2,475.8	2,709.0
Inventories	675.1	333.5
Available-for-sale financial assets	-	476.5
Derivative financial instruments	-	1.1
Other	6.0	10.9
Total current assets	<u>3,157.1</u>	<u>3,531.7</u>
Non-current assets		
Receivables	0.9	2.1
Retirement benefit assets	-	23.9
Inventories	21.7	25.9
Other financial assets	2,708.2	2,705.6
Property, plant and equipment	981.8	911.7
Intangible assets	494.4	100.7
Other	1.2	0.5
Total non-current assets	<u>4,208.2</u>	<u>3,770.4</u>
Total assets	<u>7,365.3</u>	<u>7,302.1</u>
Current liabilities		
Payables	691.6	330.5
Interest bearing liabilities	3,044.8	3,725.1
Current tax liabilities	133.9	27.3
Provisions	207.0	156.5
Deferred income	18.2	8.5
Total current liabilities	<u>4,095.5</u>	<u>4,247.9</u>
Non-current liabilities		
Payables	0.5	2.0
Interest bearing liabilities	151.9	192.4
Deferred tax liabilities	4.3	97.6
Provisions	66.5	36.8
Retirement benefit obligations	3.6	-
Total non-current liabilities	<u>226.8</u>	<u>328.8</u>
Total liabilities	<u>4,322.3</u>	<u>4,576.7</u>
Net assets	<u>3,043.0</u>	<u>2,725.4</u>
Equity		
Contributed equity	2,151.2	1,896.0
Reserves	13.7	126.8
Retained profits	878.1	702.6
Total equity	<u>3,043.0</u>	<u>2,725.4</u>

47 Investments in associates

Name of company	Ownership interest		Country of incorporation
	2008	2007	
	%	%	
Saudi Steel Building Manufacturing Company	30	30	Saudi Arabia
Saudi Building Systems Ltd	30	30	Saudi Arabia
Franklin Towne Centre Limited Partnership (i)	-	50	USA
BlueScope Lysaght (Sarawak) Sdn Bhd	49	49	Malaysia
SteelServ Limited	50	50	New Zealand
McDonalds Lime Limited	28	28	New Zealand
BlueScope Bartlett Liners Pty Ltd (ii)	50	-	Australia

(i) Franklin Towne Centre Limited Partnership was liquidated and dissolved during the period.

(ii) BlueScope Bartlett Liners Pty Ltd is a manufacturer of water tank and dam liners and was formed in September 2007.

Consolidated	
2008	2007
\$M	\$M

(a) Movements in carrying amounts

Carrying amount at the beginning of the financial year	12.2	12.7
Share of profits after income tax	7.3	10.0
Additional investment	2.8	-
Disposal of investment	-	(0.9)
Dividends received/receivable	(6.7)	(9.3)
Currency fluctuation	(1.8)	(0.3)
Carrying amount at the end of the financial year	<u>13.8</u>	<u>12.2</u>

48 Interests in joint ventures

(a) Joint venture partnerships

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

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

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

	NorthStar BlueScope Steel		Tata BlueScope Steel		Consolidated	
	2008 \$M	2007 \$M	2008 \$M	2007 \$M	2008 \$M	2007 \$M
Share of partnership's assets and liabilities						
Current assets						
Cash and advances	-	11.5	0.8	1.3	0.8	12.8
Receivables	97.1	60.9	11.7	13.9	108.8	74.8
Inventory	70.1	47.6	12.6	10.5	82.7	58.1
Other	0.3	0.4	-	-	0.3	0.4
Non-current assets						
Fixed assets	123.7	156.5	51.7	44.8	175.4	201.3
Intangibles	-	-	1.1	0.7	1.1	0.7
Total assets	<u>291.2</u>	<u>276.9</u>	<u>77.9</u>	<u>71.2</u>	<u>369.1</u>	<u>348.1</u>
Current liabilities						
Payables	110.4	45.7	17.1	12.9	127.5	58.6
Provisions	-	-	1.0	0.4	1.0	0.4
Non-current liabilities				-		
Total liabilities	<u>110.4</u>	<u>45.7</u>	<u>18.1</u>	<u>13.3</u>	<u>128.5</u>	<u>59.0</u>
Net assets	<u>180.8</u>	<u>231.2</u>	<u>59.8</u>	<u>57.9</u>	<u>240.6</u>	<u>289.1</u>
Share of partnership's revenue, expenses and results						
Revenues	720.8	722.0	45.8	19.3	766.6	741.3
Expenses	<u>612.9</u>	<u>565.7</u>	<u>49.5</u>	<u>23.5</u>	<u>662.4</u>	<u>589.2</u>
Profit (loss) before income tax	107.9	156.3	(3.7)	(4.2)	104.2	152.1
Income tax (expense) benefit	-	-	(0.1)	-	(0.1)	-
Profit (loss) after income tax	<u>107.9</u>	<u>156.3</u>	<u>(3.8)</u>	<u>(4.2)</u>	<u>104.1</u>	<u>152.1</u>
Share of partnership's capital commitments	<u>-</u>	<u>-</u>	<u>36.3</u>	<u>11.5</u>	<u>36.3</u>	<u>11.5</u>

(b) Contingent liabilities relating to joint ventures

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

(c) Impairment losses

Impairment losses of \$1.4M (June 2007: \$1.2M) were recognised in relation to the Group's investment in Castrip LLC (refer to note 8). The carrying value of the Group's 47.5% interest in Castrip LLC is \$Nil (June 2007: \$Nil).

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Profit for the year	612.3	703.0	439.7	546.2
Depreciation and amortisation	357.1	324.0	84.0	72.3
Impairment of non-current assets	240.0	1.2	15.2	7.4
Write-down of goodwill	2.9	3.3	-	-
Actuarial gains (losses) on defined benefit superannuation recorded directly in equity	(175.1)	70.1	(33.4)	6.3
Income tax on defined benefit superannuation recorded directly in equity	36.4	(6.5)	10.0	(1.9)
Non-cash employee benefits expense - share-based payments	17.1	17.8	17.1	17.8
Capitalised borrowing costs	(11.1)	(15.5)	(1.8)	(8.2)
Net (gain) loss on sale of non-current assets	2.6	(12.7)	1.4	(7.1)
Net (gain) loss on sale of investments	(127.4)	-	-	-
Gain on disposal of Butler Vistawall division (note 10)	-	(58.6)	-	-
Share of profits of associates and joint venture partnership	(111.4)	(162.1)	-	-
Associate dividends received	135.5	154.7	-	-
Change in operating assets and liabilities				
Decrease (increase) in trade debtors	35.6	9.6	119.1	(21.1)
Decrease (increase) in other debtors	35.9	(32.8)	1.9	1.8
Decrease (increase) in other operating assets	(56.7)	(25.5)	5.3	(20.1)
Decrease (increase) in inventories	(32.6)	(6.4)	(66.1)	(67.2)
Increase (decrease) in trade creditors	77.2	40.6	106.5	20.4
Increase (decrease) in other creditors	(13.0)	12.3	(14.6)	18.6
Increase (decrease) in borrowing costs payable	(7.7)	(8.9)	-	-
Increase (decrease) in income taxes payable	107.5	26.3	(11.1)	(21.3)
Increase (decrease) in deferred tax balances	(26.0)	11.2	(19.8)	(4.1)
Increase (decrease) in other provisions and liabilities	218.3	(85.0)	58.7	21.0
Other variations	(13.8)	4.3	(1.0)	-
Net cash (outflow) inflow from operating activities	<u>1,303.6</u>	<u>964.4</u>	<u>711.1</u>	<u>560.8</u>

50 Non-cash investing and financing activities

	Consolidated		Parent	
	2008	2007	2008	2007
	\$M	\$M	\$M	\$M
Dividend reinvestment plan	<u>105.0</u>	<u>97.8</u>	<u>105.0</u>	<u>97.8</u>

The Company has a formal dividend reinvestment plan that enables participating shareholders to receive dividends as ordinary BlueScope Steel Limited shares instead of cash. During the period a total of 10,345,645 shares were issued under this plan instead of cash (June 2007: 12,728,860 shares). In addition to this amount, 12,347,764 shares were issued in exchange for cash to the underwriters of the 2008 interim dividend (June 2007: 17,856,029 shares). Refer to note 36(b) for a reconciliation of movements in ordinary share capital.

51 Earnings per share

	Consolidated	
	2008 Cents	2007 Cents
(a) Basic earnings per share		
Profit from continuing operations attributable to the ordinary equity holders of the Company	80.4	97.4
Loss from discontinued operations	<u>(0.3)</u>	<u>(2.1)</u>
Profit attributable to the ordinary equity holders of the Company	<u>80.1</u>	<u>95.3</u>

(b) Diluted earnings per share

Profit from continuing operations attributable to the ordinary equity holders of the Company	79.9	96.7
Loss from discontinued operations	<u>(0.2)</u>	<u>(2.1)</u>
Profit attributable to the ordinary equity holders of the Company	<u>79.7</u>	<u>94.6</u>

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

	Consolidated	
	2008 \$M	2007 \$M
<i>Earnings per share</i>		
Profit from continuing operations	614.3	718.3
Profit from continuing operations attributable to minority interests	<u>(16.1)</u>	<u>(17.4)</u>
Profit from continuing operations attributable to the ordinary equity holders of the Company used in calculating earnings per share	598.2	700.9
Profit (loss) from discontinued operations	<u>(2.0)</u>	<u>(15.3)</u>
Profit attributable to the ordinary equity holders of the Company used in calculating earnings per share	<u>596.2</u>	<u>685.6</u>

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

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares used in calculating basic earnings per share	744,232,719	719,675,585
Adjustments for calculation of diluted earnings per share:		
Weighted average number of share rights	<u>3,961,835</u>	<u>5,257,948</u>
Weighted average number of ordinary shares and potential ordinary shares used in calculating diluted earnings per share	<u>748,194,554</u>	<u>724,933,533</u>

(e) Earnings per share calculation

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

51 Earnings per share (continued)

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 to which they are dilutive. Details relating to the share rights are set out in note 52.

52 Share-based payments

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

Information relating to these schemes is set out below. Further information can also be obtained in the 2008 Remuneration Report. Refer to note 1(w)(iv) for the share-based payments accounting policy.

(a) The Long Term Incentive Plan

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

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

Plans have been granted to senior management as outlined below. Further details of each award is provided in the 30 June 2008 Remuneration Report.

Movement of share rights during the year

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

Grant date	Expiry date	Exercise price	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2007								
30 Sep 2002	30 Sep 2006	Nil	158,200	-	-	-	158,200	158,200
24 Oct 2003	30 Sep 2008	Nil	2,702,808	-	(2,324,606)	(64,653)	313,549	313,549
13 Nov 2003	30 Sep 2008	Nil	273,300	-	(264,663)	-	8,637	-
31 Aug 2004	30 Dec 2006	Nil	40,000	-	(40,000)	-	-	-
31 Aug 2004	31 Oct 2009	Nil	2,167,611	-	-	(126,957)	2,040,654	40,320
18 Nov 2005	31 Aug 2010	Nil	1,869,017	-	-	(167,613)	1,701,404	23,400
20 Nov 2006	31 Aug 2011	Nil	-	2,310,950	-	(31,500)	2,279,450	62,000
Total			<u>7,210,936</u>	<u>2,310,950</u>	<u>(2,629,269)</u>	<u>(390,723)</u>	<u>6,501,894</u>	<u>597,469</u>

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

52 Share-based payments (continued)

The average share price during the period for the year ended 30 June 2008 was \$10.54 (June 2007: \$7.19).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 3.0 years (June 2007: 3.1 years).

Fair value of share rights granted

The assessed fair value at grant date of share rights granted during the year ended 30 June 2008 is detailed below. The fair value at grant date is independently determined for each award using the Binomial Option Pricing Model. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share rights granted during the year ended 30 June 2008 and 30 June 2007 included:

	Nov 2007 (1)	Nov 2007 (2)	Nov 2006
Plan details			
Exercise price (\$)	Nil	Nil	Nil
Grant date	14 Nov 2007	5 Nov 2007	18 Nov 2006
Latest expiry date	31 Oct 2012	31 Oct 2012	31 Oct 2011
Share rights granted	231,053	1,703,792	2,310,950
Fair value estimate at grant date (\$)	6.42	6.37	5.53
Vesting conditions ^(a)	TSR ranking	TSR ranking	TSR ranking
Fair value inputs			
Expected life of share rights (yrs)	Minimum vesting period	Minimum vesting period	Minimum vesting period
Expected dividend yield (%)	5.1	5.1	6.1
Expected risk-free interest rate (%)	6.55	6.64	5.786
Expected share price volatility (%)	30.0	30.0	30.0
Grant date share price (\$)	10.19	10.15	7.82

^(a) The number of rights that vest under each plan are contingent on BlueScope Steel's TSR percentile ranking. The TSR ranking requirements differ for each plan. For further details of vesting conditions refer to the 2008 Remuneration Report.

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

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

(b) Employee share plans

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

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

The allocation of ESPs is considered on a year-by-year basis. To date, five ESPs have been offered to employees. At 30 June 2008 the following share plans were outstanding:

(i) November 2007 'General Employee Share Plan (GESP)'

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

(ii) March 2007 'General Employee Share Plan (GESP)'

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

52 Share-based payments (continued)

(iii) September 2005 'General Employee Share Plan (GESP)'

The 2005 GESP granted two nil-priced ordinary shares to 14,006 eligible employees for each one share purchased at a market equivalent price, up to a maximum of \$1,000 per employee (or a cash reward equal in value to 60 shares in countries where the grant of shares is not practicable).

The form of past ESPs depends on local regulations and tax laws. Due to this, ESP comprises 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. 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, calculated as the sum of the market value of the shares and the 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.

Shares issued under ESP rank equally with other fully paid ordinary shares on issue (refer to note 36(c)).

(c) 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. On 1 September 2007, 486,750 special share grants were awarded to certain members of senior management as part of a management retention strategy. Special share grants vest on the fulfilment of a serving period, which ranges from 12 to 24 months from the grant date.

On 6 August 2007, 50,000 BlueScope Steel Limited shares were granted to Mr Paul O'Malley upon his appointment as an Executive Director. Share grants have been split between three tranches, each with specific vesting conditions requiring the fulfilment of an underlying service period. The service periods range from August 2010 to August 2012.

On 3 August 2007, 25,000 BlueScope Steel Limited shares were granted to Mr Mark Vassella upon his appointment to the Executive Leadership Team and Chief Executive - Australian Distribution Solutions. Share grants awarded vest in August 2010.

(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 36(c)).

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

(e) Expenses arising from share-based payment transactions

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

	Consolidated		Parent	
	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000
Employee share rights expense	10.3	7.2	9.6	7.0
Employee share awards expense	12.4	12.1	3.1	3.1
Total expense arising from share-based payments	<u>22.7</u>	<u>19.3</u>	<u>12.7</u>	<u>10.1</u>

The carrying amount of the liability relating to share-based payment plans at 30 June 2008 is \$2.0M (June 2007: \$2.4M). This liability represents the deferred cash amounts payable under the ESP.

53 Events occurring after the balance sheet date

USD Private Funding

Subsequent to 30 June 2008, the Company completed a US Private Placement Note issue for USD 325M. Of the USD 325M notes issued, USD 81M are due for repayment in 2015, USD 204M are due for repayment in 2018 and USD 40M are due for repayment in 2020.

Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 100 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 *Related Party Disclosures* and the *Corporations Regulations 2001*; and
- (d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 46 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 46.

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

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



G J Kraehe, AO
Chairman



P F O'Malley
Managing Director & CEO

Melbourne
15 August 2008

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

Report on the Financial Report

We have audited the accompanying financial report of BlueScope Steel Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of recognised income and expense and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

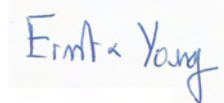
1. the financial report of BlueScope Steel Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the financial position of BlueScope Steel Limited and the consolidated entity at 30 June 2008 and of their performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Report on the Remuneration Report

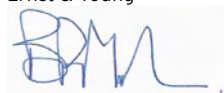
We have audited the Remuneration Report included in pages 49 to 66 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

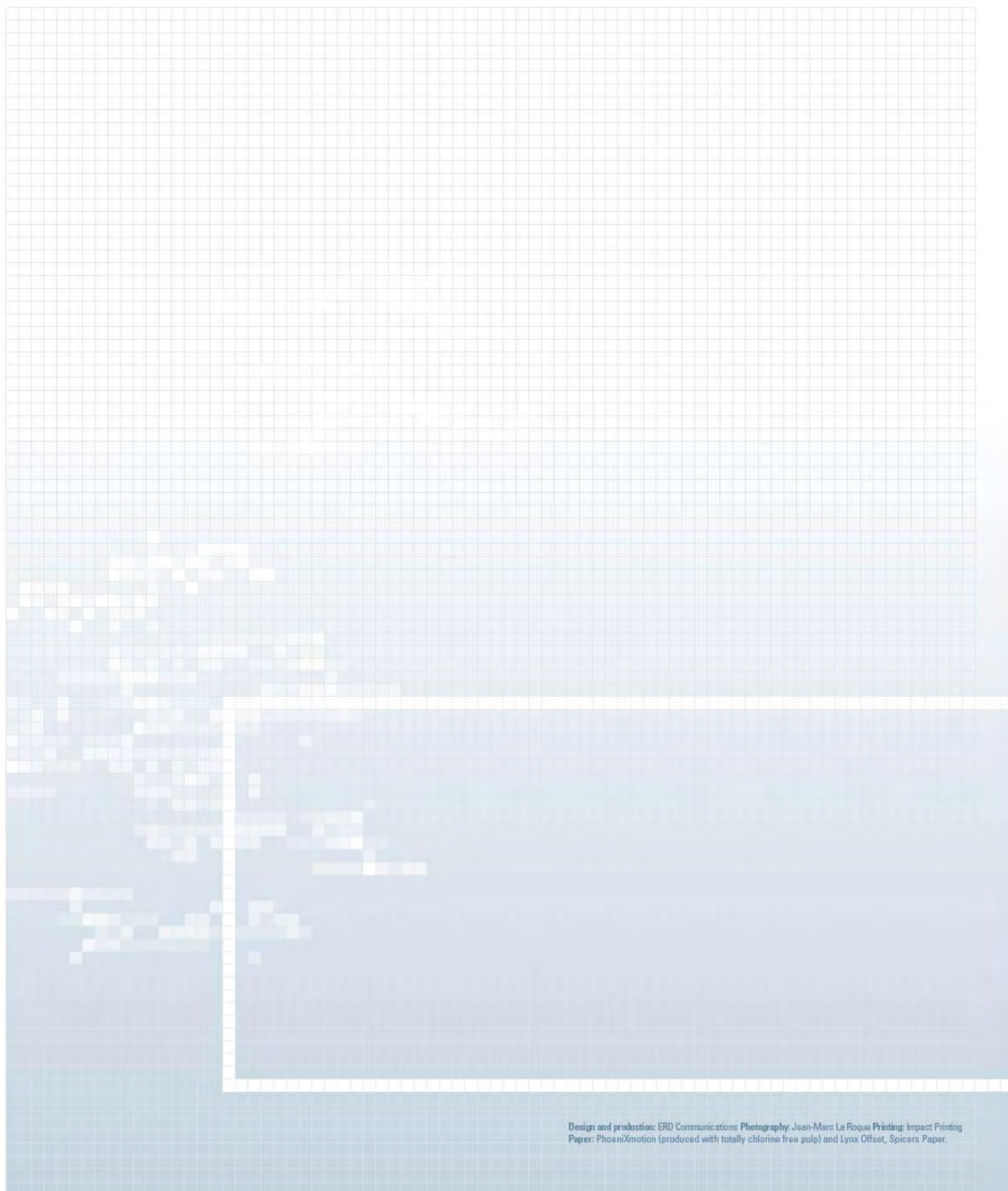
In our opinion the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2008, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



B R Meehan
Partner
Melbourne
15 August 2008



BLUESCOPE STEEL LIMITED
ABN 16 000 011 058
LEVEL 11, 120 COLLINS STREET
MELBOURNE, VICTORIA 3000 AUSTRALIA
WWW.BLUESCOPESTEEL.COM



9 320075 055615