BlueScope Steel Limited
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ASX Code: BSL

BLUESCOPE

25 August 2014

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

Dear Sir,

Re: Compliance with Listing Rule 4.3A for the twelve months ended 30 June 2014

Attached in accordance with Listing Rule 4.3A is the financial report for BlueScope Steel Limited (ASX Code: BSL) for the twelve months ended 30 June 2014.

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

References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011. Non-IFRS financial information, while not subject to audit or review, has been extracted from the financial report that has been subject to audit by our external auditors.

Yours faithfully

Michael Barron
Company Secretary
BlueScope Steel Limited

RESULTS FOR ANNOUNCEMENT TO THE MARKET

25 August 2014: BlueScope today reported its financial results for twelve months ended 30 June 2014.

$M unless marked	FY2014	FY2013	Variance %
Sales from continuing operations	7,981.1	7,274.2	10%
Reported NPAT/(NLAT)	(82.4)	(107.1)	23%
Underlying NPAT [1]	112.3	6.7	n/a
Final ordinary dividend (cents)	nil	nil	n/a
Earnings per share (cents)	(14.8) cps	(19.1) cps	23%
Net tangible assets per share ($)	$6.17	$6.12	1%

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

KEY POINTS

- Sales revenue of $7,981.1M was higher than FY2013 mainly due to higher domestic volumes in Australia and higher volumes across other segments, together with higher iron sands prices and favourable foreign exchange translation impacts.
- Reported NLAT of $82.4M improved by $24.7M on FY2013 primarily due to increased spreads and volume, partly offset by higher restructure, redundancy, business development and acquisition costs.
- Underlying NPAT of $112.3M grew by $105.6M on FY2013 primarily due to increased spreads and volume. 2H FY2014 underlying NPAT of $89.6M on a pre NRV basis.
- Underlying EBIT of $249.7M, a $175.6M lift on FY2013.
- Coated & Industrial Products Australia underlying EBIT of $65.4M, a $95.7M increase on FY2013, driven by higher domestic despatch volumes, lower loss-making export despatches and increased AUD spread.
- Building Components & Distribution Australia underlying EBIT loss of $22.8M, a slight improvement on FY2013 through higher despatch volumes driven by acquisitions and slightly stronger market activity.
- NZ Steel & Pacific underlying EBIT of $74.7M, a $40.9M increase on FY2013, driven by better despatch mix, higher export iron sands volumes and increased steel spread.
- Building Products segment underlying EBIT of $88.9M, a $9.3M increase on FY2013 primarily due to better volume/mix.
- Global Building Solutions underlying EBIT of $18.5M, a $0.5M increase on FY2013. Strong Buildings North America performance with higher volumes, despite difficult winter conditions in 2H FY2014. Better volumes and cost control increased earnings at Building Products China. Buildings Asia's underlying EBIT was weaker in FY2014 due to lower margins in our China business.
- Hot Rolled Products North America EBIT of $104.6M, a $37.9M increase on FY2013 primarily due to higher spreads and favourable foreign exchange translation impacts from a weaker AUD versus the USD.
- Net debt at 30 June 2014 was $261.6M (includes $100M benefit from favourable timing of year-end cash flows). Continuing strong liquidity (undrawn debt plus cash) of A$1,471.5M.
- Progress on growth initiatives: (i) the second and third iron sands export ships are on track for commencement during at the end of FY2015 and the middle of FY2016 respectively; (ii) acquired Orrcon and Fielders from Hills Holdings on 28 February 2014; (iii) acquired OneSteel sheet and coil distribution assets on 1 April 2014; and (iv) acquired the downstream long-products rolling and marketing operations of Pacific Steel Group in New Zealand on 3 June 2014, and targeting commission of billet caster during 1H FY2016.
- Full reversal of prior period impairment write-downs in Coated China ($88.1M). There were also write-downs in Distribution Australia ($52.1M), Buildings Australia ($15.6M) and Water Australia ($12.7M) reflecting current and projected market conditions. In addition, at CIPA, we took a fixed asset write-off ($7.2M) relating to a review of the likely recoverable value of a not-in-use asset.
- A provision for restructuring initiatives of $72.6M that will be undertaken mainly in CIPA and China business targeting cost savings across operations and functional support.
- Outlook:
  - We expect first half FY2015 underlying NPAT similar to second half FY2014, subject to spread, FX and market conditions.
  - Conditions in building construction markets of our key global regions are positive. We expect 1H FY2015 will benefit from expanding domestic margins; contributions from recent acquisitions; our restructuring in China; and growth and typical seasonality in North America. Offsetting factors include lower iron ore prices reducing New Zealand iron sands revenue, the unresolved political situation in Thailand and normalisation of the underlying tax rate.

KEY FINANCIAL MEASURES

Key Financial Measures – Twelve months ended 30 June 2014 and 30 June 2013 [1]

$M unless marked	FY2014	FY2013	Variance %
Total revenue [2]	8,006.9	7,290.3	10%
EBITDA – underlying [3]	577.4	389.7	48%
EBIT – reported [3]	102.3	23.1	343%
EBIT – underlying [3]	249.7	74.1	237%
(NLAT)/NPAT attributable to BSL holders			
- reported	(82.4)	(107.1)	23%
- underlying	112.3	6.7	n/a
Earnings per share (cents)	(14.8) cps	(19.1) cps	23%
Interim dividend (cents)	0 cps	0 cps	n/a
Final dividend (cents)	0 cps	0 cps	n/a
Return on invested capital (%)	2.1%	0.5%	-
Net debt	261.6	148.4	76%
Gearing (%)	5.5%	3.2%	-
Net tangible assets per share ($)	$6.17	$6.12	1%

1) Tables 2A and 2B explain why management has disclosed underlying results and reconcile underlying earnings to reported earnings.		
2) Excludes the Company's 50% share of NSBSL revenue of:	743.9	620.7
Includes revenue other than sales revenue of:	25.8	16.1
3) Includes 50% share of net profit from NSBSL of:	105.4	69.6

BlueScope Steel Limited

ABN 16 000 011 058

Directors' Report for the year ended 30 June 2014

The Directors of BlueScope Steel Limited ('BlueScope Steel') present their report on the consolidated entity ('BlueScope Steel Group' or 'the Company') consisting of BlueScope Steel Limited and its controlled entities for the year ended 30 June 2014.

OPERATING & FINANCIAL REVIEW

FINANCIAL RESULTS

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

Table 1: Results Summary

	Revenue		Reported Result [1]		Underlying Result [2]	
$M	**FY2014**	**FY2013**	**FY2014**	**FY2013[3]**	**FY2014**	**FY2013[3]**
Sales revenue/EBIT						
Coated & Industrial Products Australia	3,602.2	3,349.4	(26.2)	(54.9)	65.4	(30.3)
Building Components & Distribution Australia	1,585.6	1,375.6	(88.4)	(31.0)	(22.8)	(25.4)
New Zealand & Pacific Steel Products	870.9	681.0	73.6	33.8	74.7	33.8
Global Building Solutions	1,522.8	1,363.3	51.4	10.0	18.5	18.0
Building Products ASEAN, Nth Am & India	1,742.9	1,635.5	81.4	70.5	88.9	79.6
Hot Rolled Products North America	0.0	0.0	101.6	66.7	104.6	66.7
Discontinued operations	0.0	0.0	(0.3)	(0.4)	0.0	0.0
Segment revenue/EBIT	**9,324.4**	**8,404.8**	**193.1**	**94.7**	**329.3**	**142.4**
Inter-segment eliminations	(1,343.3)	(1,130.6)	(3.7)	(5.8)	0.7	(5.8)
Segment external revenue/EBIT	**7,981.1**	**7,274.2**	**189.4**	**88.9**	**330.0**	**136.6**
Other revenue/(net unallocated expenses)	25.8	16.1	(87.1)	(65.8)	(80.2)	(62.5)
Total revenue/EBIT	**8,006.9**	**7,290.3**	**102.3**	**23.1**	**249.7**	**74.1**
Net borrowing costs			(64.5)	(79.3)	(64.5)	(66.2)
Profit/(loss) from ordinary activities before income tax			37.8	(56.2)	185.2	7.9
Income tax (expense)/benefit			(78.0)	(29.4)	(29.6)	20.3
Profit/(loss) from ordinary activities after income tax expense			(40.2)	(85.6)	155.3	28.2
Net (profit)/loss attributable to outside equity interest			(42.2)	(21.5)	(44.6)	(21.5)
Net profit/(loss) attributable to equity holders of BlueScope Steel			**(82.4)**	**(107.1)**	**112.3**	**6.7**
Basic earnings per share (cents)			(14.8)	(19.2)	20.1	1.2

1) The financial report has been prepared in accordance with the Australian Accounting Standards issued by the Australian Accounting Standards Board, which are compliant with International Financial Reporting Standards (IFRS). References to 'reported' financial information throughout this report are consistent with IFRS financial information disclosed in the financial report.
2) References to 'underlying' information are to non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information) issued in December 2011 and the principles provided by the Financial Services Institute of Australasia and the Australian Institute of Company Directors. Non-IFRS financial information, while not subject to audit or review, has been extracted from the interim financial report, which has been reviewed by our external auditors.
3) FY2013 has been restated to reflect changes in Australian accounting standard AASB 119 Employee Benefits, which came into effect on 1 July 2013. Refer to Table 2C for an explanation of the changes and reconciliation by reporting segments.

Table 2A: Reconciliation of Underlying Earnings to Reported Earnings

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

	EBITDA $M		EBIT $M		NPAT / (NLAT) $M		EPS $ 10	
	FY2014	**FY2013**	**FY2014**	**FY2013**	**FY2014**	**FY2013**	**FY2014**	**FY2013**
Reported earnings	**429.9**	**338.7**	**102.3**	**23.1**	**(82.4)**	**(107.1)**	**(0.15)**	**(0.19)**
Underlying adjustments:								
Net (gains)/losses from businesses discontinued 1	7.1	8.4	7.1	8.4	5.5	4.2	0.01	0.01
Steel Transformation Plan 2	45.8	45.8	45.8	45.8	32.1	32.1	0.06	0.06
Business development and acquisition costs 3	26.6	2.5	23.6	2.5	18.4	1.8	0.03	0.00
Asset impairments 4	87.6	0.0	87.6	0.0	66.1	0.0	0.12	0.00
Asset impairment write-back 5	(88.1)	0.0	(88.1)	0.0	(88.1)	0.0	(0.16)	0.00
Restructure and redundancy costs 6	72.6	31.8	72.6	31.8	55.8	20.3	0.10	0.03
Asset sales 7	(4.1)	(37.5)	(5.4)	(37.5)	(5.5)	(26.3)	(0.01)	(0.05)
Borrowing amendment fees 8	0.0	0.0	0.0	0.0	0.0	9.2	0.00	0.02
Tax asset impairment 9	0.0	0.0	0.0	0.0	110.5	72.5	0.15	0.13
Underlying earnings	**577.4**	**389.7**	**249.7**	**74.1**	**112.3**	**6.7**	**0.20**	**0.01**

1) FY2014 reflects costs relating to the divested Metl-Span business and a $6.8M (pre-tax) provision adjustment relating to a business discontinued in GBS (not required to be recorded in the financial statements as a discontinued operation). FY2013 reflects adjustment to the income tax expense in relation to the sale of Metl-Span and an $8.0M (pre-tax) provision adjustment relating to a business discontinued in GBS (not required to be recorded in the financial statements as a discontinued operation).
2) FY2014 and FY2013 reflect the inclusion in underlying earnings of the previously received Australian Government Steel Transformation Plan (STP) advance to align with the carbon costs which are being incurred at CIPA.
3) FY2014 reflects Corporate transaction costs relating to the Orrcon, Fielders, OneSteel Sheet & Coil and Pacific Steel acquisitions and general business development costs ($6.9M pre-tax), integration costs relating to the Australian acquisitions at BCDA ($10.0M pre-tax) and CIPA ($1.2M pre-tax) and the Pacific Steel acquisition at NZPac ($1.1M pre-tax),the one-off impact of recognising post acquisition inter-company profit eliminations in inventory ($4.4M pre-tax) and the write-off of carried forward project costs associated with the decision not to proceed with the DRI development at HRPNA at this time ($3.0M pre-tax). These were partly offset by the discount on acquisition recognised on the Fielders and Orrcon acquisitions (i.e. $8.1M pre-tax higher fair value of acquired assets than the purchase price). FY2013 reflects Corporate business development costs.
4) FY2014 includes the following asset impairments:
   - BCDA – BlueScope Distribution Australia – fixed assets and intangibles write off ($52.1M pre-tax) resulting from lower sales volumes, challenges of a high AUD:USD improving the affordability of imports and strong market competition negatively impacting margins. While financial performance is expected to improve its extent is uncertain.
   - GBS:
     - Buildings Australia – fixed assets and intangibles write off ($15.6M pre-tax) resulting from challenging market conditions.
     - BlueScope Water Australia – fixed assets and intangibles write off ($12.7M pre-tax) resulting from challenging market conditions.
   - CIPA – fixed asset write off ($7.2M) relating to the Western Port Hot Strip Mill as a result of a review of the likely recoverable value of this non-in-use asset.

   Note: these fixed asset impairments have been tax-effected and the tax asset subsequently impaired (refer footnote 9).
5) FY2014 includes the full write-back of previously impaired non-current assets at Building Products China ($88.1M pre-tax) as a result of strong historical and projected financial performance. The reversal has not been tax-effected consistent with the original impairment.
6) FY2014 reflects staff redundancy and restructuring costs at CIPA ($48.4M pre-tax) mainly in relation to manufacturing and support cost saving initiatives, GBS ($20.1M pre-tax) mainly relating to restructuring initiatives within the China business, BCDA ($3.5M pre-tax) and Building Products ($0.6M pre-tax). FY2013 reflects staff redundancies and restructuring costs at CIPA ($16.3M pre-tax) mainly in relation to rationalising production levels at Western Port, BP ($9.1M pre-tax), BCDA ($5.6M pre-tax) and Corporate ($0.9M pre-tax).
7) FY2014 reflects the gain on sale of land and equipment at CIPA ($11.0M pre-tax) part offset by the loss on sale of Steelscape's Fairfield facility ($6.9M pre-tax). FY2013 reflects profit on sale of a previously unrecognised intangible asset at CIPA ($37.5M pre-tax).
8) FY2013 reflects make-whole payment associated with buy-back of remaining U.S. Private Placement Notes.
9) FY2014 and FY2013 reflect impairment of Australian deferred tax assets generated during each respective period.
10) Earnings per share is based on the average number of shares on issue during the respective reporting periods, (558.6M in FY2014 vs. 558.2M in FY2013). In accordance with AASB 133 Earnings per Share, the comparative earnings per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 Employee Benefits standard.

Table 2B: Underlying EBIT Adjustments to FY2014 Reported Segment Results

FY2014 underlying EBIT adjustments $M	CIPA	BCDA	NZPac	GBS	BP	HRPNA	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued	0.0	0.0	0.0	6.8	0.0	0.0	0.0	0.3	0.0	7.1
Steel Transformation Plan	45.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	45.8
Business development and acquisition costs	1.2	10.0	1.1	0.0	0.0	3.0	6.9	0.0	4.4	26.6
Asset impairments	7.2	52.1	0.0	28.3	0.0	0.0	0.0	0.0	0.0	87.6
Asset impairment write-backs	0.0	0.0	0.0	(88.1)	0.0	0.0	0.0	0.0	0.0	(88.1)
Restructure and redundancy costs	48.4	3.5	0.0	20.1	0.6	0.0	0.0	0.0	0.0	72.6
Asset sales	(11.0)	0.0	0.0	0.0	6.9	0.0	0.0	0.0	0.0	(4.1)
Underlying adjustments	**91.6**	**65.6**	**1.1**	**(32.9)**	**7.5**	**3.0**	**6.9**	**0.3**	**4.4**	**147.5**

Table 2C: Restatement of Prior Period Earnings to Reflect Change to AASB 119

Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach. FY2013 comparative data in this presentation have been adjusted to reflect this and a summary of the adjustments is set out below.

	2H FY2013			FY2013		
$M	Previous	Change	Restated	Previous	Change	Restated
CIPA	(14.7)	(5.0)	(19.7)	(20.3)	(10.0)	(30.3)
BCDA	(18.0)	(0.3)	(18.3)	(24.8)	(0.6)	(25.4)
NZPac	40.5	(4.4)	36.1	42.5	(8.7)	33.8
BP	48.2	0.0	48.2	79.6	0.0	79.6
GBS	9.0	(4.2)	4.8	26.4	(8.4)	18.0
HRPNA	33.7	0.0	33.7	66.7	0.0	66.7
Corporate / eliminations	(34.3)	(0.5)	(34.8)	(67.3)	(1.0)	(68.3)
Underlying EBIT	**64.4**	**(14.4)**	**50.0**	**102.8**	**(28.7)**	**74.1**
Underlying NPAT/(NLAT)	**19.8**	**(11.5)**	**8.3**	**29.7**	**(23.0)**	**6.7**

Table 3: Consolidated Cash Flow

$M	FY2014	FY2013	Variance %
Reported EBITDA	**429.9**	**338.7**	**27%**
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(3.9)	(0.5)	(680%)
- Impaired assets	2.3	2.6	12%
- Net (gain) loss on acquisitions and sale of assets	(11.6)	(37.3)	69%
- Expensing of share-based employee benefits	14.4	11.5	25%
Cash EBITDA	**431.1**	**315.1**	**37%**
Changes in working capital	68.3	(2.3)	-
Gross operating cash flow	**499.4**	**312.8**	**60%**
Net finance costs paid	(51.9)	(87.4)	41%
Tax received/(paid) [1]	(40.4)	(64.4)	37%
Net cash from operating activities	**407.1**	**161.0**	**153%**
Capex: payments for P, P & E and intangibles	(306.1)	(302.8)	(1%)
Other investing cash flows	(131.8)	(6.7)	(1,867%)
Net cash flow before financing	**(30.8)**	**(148.5)**	**79%**
Equity issues	0.0	(0.0)	-
Dividends [2]	(42.9)	(3.4)	(1,162%)
Transactions with non-controlling interests	1.6	438.9	(100%)
Net drawing/(repayment) of borrowings	26.8	(6.1)	539%
Net increase/(decrease) in cash held	**(45.3)**	**280.9**	**(116%)**

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 30 June 2014, in excess of $2.9B. There will be no Australian income tax payments until these are recovered.
2) The increase in dividends payments in FY2014 compared to FY2013 primarily relates to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) following the creation of the NSSMC joint venture in 2H FY2013.

GROUP-LEVEL MANAGEMENT DISCUSSION & ANALYSIS FOR FY2014 VS FY2013

BLUESCOPE'S OPERATIONS AND SIGNIFICANT CHANGES

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

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

BlueScope operates two iron sand mines in New Zealand. Waikato North Head primarily supplies iron sands for our New Zealand steel making operations and Taharoa supplies iron sands for export.

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

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

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

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

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

- On 28 February 2014, BlueScope acquired two businesses from Hills Limited: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business.
- On 1 April 2014, BlueScope acquired the OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth, from Arrium Limited.
- On 3 June 2014, BlueScope acquired the downstream long-products rolling mill, wire mill and marketing operations of Fletcher Building's Pacific Steel Group (since renamed to Pacific Steel (PS)). The primary operations are based in Auckland, NZ with a small manufacturing facility in Fiji (completion of the Fiji component of the acquisition was deferred until 1 August 2014).
  - PS is a producer and marketer of long products such as reinforcing steel, rod and wire. In FY2014 PS sold approximately 250kt of product to New Zealand and Fiji domestic and export customers.
  - The agreed acquisition price is NZ$60M plus working capital:
    - Half of the acquisition price was paid on 3 June 2014 and the other half will be paid in the first half of FY2016.
    - The cost of acquiring working capital is being funded through realisation of working capital synergies with no significant timing difference.
  - New Zealand Steel will invest approximately NZ$50 million in the construction of a billet caster and associated plant at the Glenbrook steelworks, and in integration costs. The new caster will supply steel billet as feed to the rolling mills in New Zealand and Fiji.
  - The rationale for the acquisition is:
    - An opportunity to better leverage BlueScope's low cost iron sands and better serve customers with a full range of long products, together with our existing flat products.
    - Enhanced sales mix and lower cost of production, driven by lower cost raw materials.

FINANCIAL PERFORMANCE

Total revenue

The $706.9M (10%) increase in sales revenue from continuing operations principally reflects:

- At CIPA:
  - Higher domestic volumes (predominantly galvanised, painted ZINCALUME® and coil plate driven by an lift in market share and activity levels partially offset by lower hot rolled coil (HRC) sales into the pipe & tube market and lower plate volumes driven mainly by the slowdown in mining investment) and better mix.
  - Higher domestic prices.
- Higher despatch volumes at BCDA mainly driven by the acquired businesses.
- Higher iron sands despatch volumes partly offset by lower prices in line with global iron ore prices at NZPac.
- Higher despatch volumes at GBS.
- Favourable translation impacts from a weaker AUD exchange rate.

These were partly offset by lower domestic steel prices across all segments except CIPA.

EBIT performance

The $175.6M increase in underlying EBIT reflects:

- $113.2M improvement in sales volumes and product mix, comprising of:
  - Higher domestic volumes (predominantly galvanised, painted ZINCALUME® steel and coil plate driven by an lift in market share and activity levels partially offset by lower HRC sales into the pipe & tube market and lower plate volumes driven mainly by the slowdown in mining investment) and lower loss making export tonnes at CIPA.
  - Higher iron sands volumes and better destination and product mix at NZPac.
  - Higher despatch volumes and favourable product mix across all BP regions except North America where volumes were lower due to closure of the Steelscape Fairfield facility.
  - Higher volumes at GBS, particularly in Buildings North America as a result of continued improvement in the U.S. non-residential construction market.

  These were partly offset by an unfavourable export product mix at CIPA.
- $43.4M from an increase in equity accounted profit at NSBSL mainly driven by higher spreads and lower losses at TBSL.
- $34.4M improvement in spread, comprised of:
  - $86.3M benefit from lower raw material costs, due to:
    - Lower coal and iron ore purchase prices at CIPA
    - Lower coal purchase prices and scrap costs at NZPac
    - Lower steel feed costs at BP and GBS
    - Partly offset by unfavourable foreign exchange impact on raw material costs
  - $51.9M unfavourable movement in domestic and international steel prices across most segments partly offset by the benefit of a lower AUD.
- $17.1M unfavourable movement in costs, driven by:
  - $69.5M cost escalation from utilities, employment, consumables, freight and other costs
  - $9.8M net unfavourable one-off and discretionary costs:
    - Unfavourable per unit costs at NZPac due to lower slab and HRC production
    - Favourable one-offs costs booked in FY2013 not repeated in FY2014 at CIPA
    - Favourable timing of maintenance at CIPA
  - $62.2M benefit from cost improvement initiatives from lower labour costs including contractors, repairs and maintenance, operational, overhead and discretionary costs.
- $0.5M unfavourable impact of foreign exchange movements.
- $2.2M favourable movement in other items (mainly depreciation).

The $79.2M increase in reported EBIT reflects the movement in underlying EBIT discussed above and $96.4M unfavourable movement in underlying adjustments explained in Tables 2A and 2B.

Finance costs

The $14.8M decrease in finance costs compared to FY2013 was largely due to $13.1M of one-off costs associated with the buy-back of the remaining U.S. Private Placement Notes in FY2013, lower commitment fees due to a reduction in the Syndicated Facility limit and a $21.1m decrease in average gross borrowings to $791.7M in FY2014. These favourable movements were partly offset by higher average cost of debt (5.6% for FY2014, 5.2% for FY2013).

Tax

Net tax expense of $78.0M (FY2013 $29.4M) primarily relating to taxable income generated in businesses outside of Australia.

The Company has recognised a $103.2M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $110.5M allocated to tax expense and $7.3M allocated to retained earnings (related to defined benefit superannuation fund actuarial adjustments). FY2013 includes a net $55.8M impairment of an Australian deferred tax asset arising from tax losses generated during the period with $76.0M allocated to tax expense and a $20.2M credit allocated to retained earnings.

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

Dividend

The Directors did not declare a final dividend for FY2014.

The Board is pleased with the Company's continued turnaround and progress on growth initiatives. These actions have laid a solid foundation for a future return to paying dividends.

FINANCIAL POSITION

Net assets

Net assets decreased $3.6M to $4,457.7M at 30 June 2014 from $4,460.3M at 30 June 2013, primarily driven by:

- $136.5M increase in the value of inventory and $110.2M increase in the value of current receivables principally due to acquired businesses
- $95.7M increase in the value of property, plant and equipment mainly comprising $342.7M of capital expenditure, business acquisitions of $27.3M and foreign exchange fluctuation gains of $26.3M partly offset by depreciation of $300.3M
- $220.4M increase in the value of payables mainly driven by the deferred purchase price for Pacific Steel of $81.7M (the majority of which being working capital, which will be funded through realisation of working capital savings), business acquisitions of $64.0M and timing of spend
- $113.2M increase in net debt to $261.6M.

Funding

Committed available undrawn capacity at 30 June 2014 under bank debt facilities $1,004.9M, plus cash $466.6M was $1,471.5M ($1,576.0M at 30 June 2013 and $1,538.8M at 31 December 2013).

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2014

In July 2014 the Australian Federal Government abolished the Carbon Pricing Mechanism (CPM) and Steel Transformation Plan (STP), effective retrospectively from 1 July 2014. The 30 June 2014 financial position reflects this change in legislation.

1H FY2015 OUTLOOK

We expect first half FY2015 underlying NPAT similar to second half FY2014, subject to spread, FX and market conditions.

Conditions in building construction markets of our key global regions are positive. We expect 1H FY2015 will benefit from expanding domestic margins; contributions from recent acquisitions; our restructuring in China; and growth and typical seasonality in North America. Offsetting factors include lower iron ore prices reducing New Zealand iron sands revenue; the unresolved political situation in Thailand and normalisation of the underlying tax rate.

BUSINESS STRATEGIES AND PROSPECTS

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

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

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

Future prospects and risks

BlueScope's financial performance since the global financial crisis in FY2009 has been impacted by slower demand for its products in Australia and North America, higher raw material costs without a corresponding increase in global commodity steel prices, and a stronger Australian dollar. These factors are outside BlueScope's control. However, the Company has undertaken significant restructuring and other initiatives in recent years across all its operating segments, which resulted in BlueScope returning an underlying profit in FY2013, and a continued improvement in FY2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Other risks that could affect BlueScope include:

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

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

BUSINESS UNIT REVIEWS

BLUESCOPE AUSTRALIA & NEW ZEALAND

COATED & INDUSTRIAL PRODUCTS AUSTRALIA

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

KEY FINANCIAL & OPERATIONAL MEASURES

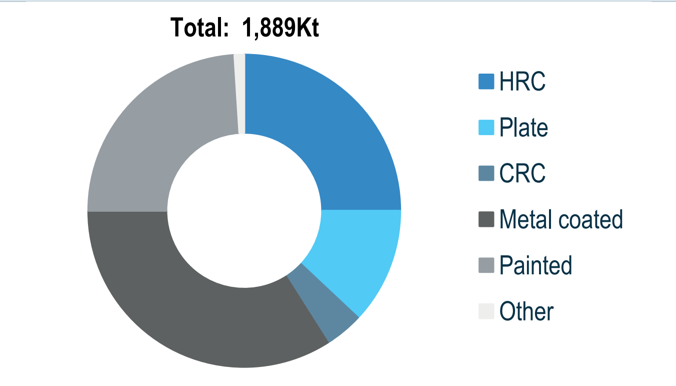
Table 4: Segment financial performance

$M	FY2014	FY2013	Var %	2H FY2014
Sales revenue	3,602.2	3,349.4	8%	1,820.6
Reported EBIT	(26.2)	(54.9)	52%	(25.3)
Underlying EBIT	65.4	(30.3)	316%	38.5
NOA (pre tax)	2,200.6	2,067.5	6%	2,200.6

Table 5: Steel sales volume

000 tonnes	FY2014	FY2013	Var %	2H FY2014
Domestic	1,888.7	1,791.0	5%	928.5
Export	474.3	823.9	(42%)	235.8
Total	**2,363.0**	**2,614.9**	**(10%)**	**1,164.3**

Chart 1: CIPA domestic steel sales volume mix FY2014



FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The $252.8M increase in sales revenue is primarily due to:

- Higher domestic volumes (predominantly galvanised, painted ZINCALUME® and coil plate driven by a lift in market share and activity levels partially offset by lower HRC sales into the pipe & tube market and lower plate volumes driven mainly by the slowdown in mining investment).
- Benefit to export revenues from a weaker AUD:USD exchange rate (FY2014 US$0.918; FY2013 US$1.027).
- Stronger domestic pricing driven by the flow-on benefit of a weaker AUD:USD exchange rate partly offset by lower ASEAN HRC prices.
- Favourable domestic and export sales product mix.

These were partly offset by lower export volumes.

EBIT performance

The $95.7M increase in underlying EBIT was largely due to:

- Lower loss making export volumes combined with higher domestic volumes.
- Higher spread driven by:
  - Favourable foreign exchange impact on export revenues from a weaker AUD:USD exchange rate (FY2014 US$0.918; FY2013 US$1.027) combined with the flow-on benefit to domestic prices.
  - Lower coal and iron ore purchase prices.
  - Lower net realisable value provisions for inventory on hand at June 2014 compared to June 2013.

  Partly offset by:
  - Lower average global steel prices.
  - Unfavourable raw material yield due to planned maintenance activities.
- Favourable timing of maintenance activities.
- Delivery of cost improvement initiatives combined with tight control of spend rates offset cost escalation.

These were partly offset by:

- One-off $36.6M favourable adjustment booked to the provision for workers compensation in FY2013 following an agreement with an insurance provider relating to a workers compensation insurance policy.
- An adverse export despatch mix driven by higher non-prime volumes.

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

FINANCIAL POSITION

Net operating assets were $133.1M higher than at 30 June 2013 primarily due to higher inventories driven mainly by the business acquisitions, lower provisions (mainly defined benefit super and workers compensation movements) and higher receivables (higher sales revenue).

MARKETS AND OPERATIONS

Direct sales to Australian building sector

- Sales volumes in the domestic building sector improved 41kt or 7% in FY2014.
- BlueScope increased market share for both its non-painted metallic coated and painted products.
- Market conditions within residential and non-residential construction have improved:
  - Residential construction activity has increased in FY2014, supported by low interest rates, higher demand from both investors and private households and an appreciation in property prices. Demand for CIPA's product comes from both the new commencement and alterations and additions end-use markets.
  - Non-residential construction activity increased led by growth in distribution warehouse development (particularly in NSW and Victoria) to meet the growing demand for imported consumer goods. Sales to non-residential building projects in mining areas were weaker.

Sales to distributors and direct non-building sector customers

- Sales volumes to distributors and non-building sector customers increased 53kt (or 5%) in FY2014 on the back of new sales initiatives.
- Overall, BlueScope's market share in non-building products increased.
- Distribution customers have continued to maintain low to moderate inventory levels in FY2014, with distributor confidence remaining comparatively weak due to slowing investment in the mining, engineering construction and automotive industries.
- Despite a modest correction to the AUD exchange rate in FY2014, the AUD still remains at elevated levels relative to Australia's long term average. This in combination with low domestic demand and high production costs has seen Australia's manufacturing and pipe and tube markets remain under pressure from imported finished goods. The Australian Industry Group's Performance of Manufacturing index has however showed some signs of improvement in FY2014 (starting from a low base) averaging 48 points, up four points from FY2013.

Export markets

- Despatches to export market customers in FY2014 of 437.0kt (~60% uncoated flat products / ~40% coated products) were lower than the 682.1kt in FY2013 due to increased Australian domestic sales and lower steel production volume.
- Prices in the U.S. were higher in FY2014 compared with FY2013 due to strong local demand and recent seasonal supply disruptions, whereas Asian market prices were weaker due to continued over-capacity in steel production and declining raw material prices.

Anti-dumping cases

- Since May 2012 BlueScope has filed applications to the Australian Anti-Dumping Commission (or ADC; formerly part of Customs & Border Protection) concerning dumping and countervailing subsidisation of steel imported into Australia. In each case where the ADC has completed its investigations, the ADC investigations have supported BlueScope's claims that dumping and subsidisation of imports has occurred. A summary of each application is as follows:
  - Hot rolled coil (2012): The final determination was released by the Minister on 19 December 2012, confirming dumping margins ranging between 0% and 15% for certain mills exporting to Australia from Japan, Korea, Malaysia and Taiwan. Following a further review, in July 2013 the ADC announced changes to further strengthen an element of duty calculation.
  - Zinc coated and zinc aluminium coated steel (2013): The Attorney General released his final determination on both dumping and countervailing subsidisation in July 2013, confirming duties of between 0% and 70% on certain mills exporting to Australia from Korea, China and Taiwan.
  - Plate (2013): The final determination was released by the Minister in December 2013, with dumping and countervailing duties between 0% and 55% imposed on certain mills exporting to Australia from Korea, China, Indonesia and Japan.
- On 11 July 2014, following an application from BlueScope, the ADC announced it will investigate alleged dumping of galvanised steel to Australia from India and Vietnam. The investigation period is July 2013 to June 2014.

Operations

- An update of COLORBOND® steel was launched in October 2013 featuring an expanded range of contemporary colours and new coating technologies for improved corrosion resistance and paint colour durability. The colour palette for new COLORBOND® steel has undergone its biggest change in more than 20 years, with the addition of six new colours. Underpinning new COLORBOND® steel is BlueScope's new Activate™ technology, which is the result of almost 20 years and $100 million of research and development. The product launch was supported by a new advertising campaign and industry wide launch events across Australia.
- Enterprise bargaining agreements for Port Kembla and Springhill were approved by employees in June 2013 and formally approved by Fair Work Australia in August 2013.

Maintenance of Port Kembla blast furnace

- The program to change out wearing staves on the Port Kembla blast furnace has commenced, and is proceeding well.
- The program is in line with industry best practice, and we are benefitting from technical support provided by Nippon Steel & Sumitomo Metal Corporation.
- In 1H FY2014 planned blast furnace maintenance stoppages of cost equivalent to a single stoppage took place; and in 2H stoppages were held in January and May.
- Approximately four more planned blast furnace maintenance stoppages are expected across FY2015 and 1H FY2016.
- Estimated production and financial impacts in FY2014:
  - Production: 120kt lower production (60% in 2H FY2014) against 2.6Mtpa normalised rate.
  - Earnings: Unfavourable impact due to lower fixed cost recoveries and yields, fully offset by cost savings, lower conversion costs and lower losses due to lower export despatches.
  - Cash impact:
    - Gross capex of $25M, net of $15M.
    - Working capital: one off $35M investment in inventory as at 30 June 2014.
- Estimated production and financial impacts for FY2015:
  - Three stoppages planned; of which two in 1H.
  - Production: ~100kt lower production (80% in 1H) against 2.6Mtpa normalised rate.
  - Earnings and cash impacts expected to be comparable to those of FY2014.

BUILDING COMPONENTS & DISTRIBUTION AUST

The BCDA segment is comprised of a network of over 125 roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, automotive, white goods manufacturing and general manufacturing industries.

In February 2014, BCDA acquired the Fielders roll forming operations and Orrcon pipe and tube manufacturing and steel distribution operations from Hills Limited. In April 2014, BCDA acquired the OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, Adelaide and Perth from Arrium Limited.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment performance

$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue	1,585.6	1,375.6	15%	871.3
Reported EBIT	(88.4)	(31.0)	(185%)	(77.5)
Underlying EBIT	(22.8)	(25.4)	10%	(11.9)
NOA (pre-tax)	334.9	322.5	4%	334.9
Despatches	822.9kt	712.9kt	15%	448.4kt

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The $210.0M increase in sales revenue was mainly due to higher despatch volumes largely driven by acquired businesses and slightly better market activity, partly offset by lower selling prices driven by the strong AUD:USD exchange rate and import competition.

EBIT performance

The $2.6M improvement in underlying EBIT was largely due to:

- Higher despatch volumes driven by acquired business volumes (approx. 92kt) and slightly better market activity.
- Cost benefits realised from Lysaght restructuring, tight control of discretionary spending and higher production volumes.

Partly offset by:

- Lower selling prices driven by strong AUD:USD exchange rate and import competition.

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

FINANCIAL POSITION

Net operating assets increased $12.4M compared to 30 June 2013 primarily due to the acquisitions, and partly offset by impairment of the BlueScope Distribution fixed assets and a reduction in net working capital.

MARKETS AND OPERATIONS

BlueScope Distribution

- Underlying volumes were up 1% on FY2013 in a relatively flat market.
- Integration of the acquired Orrcon and OneSteel Sheet & Coil operations is progressing well.
- Activity in key end-use sectors remains subdued:
  - Full year, residential and non-residential construction customer activity varied by state and construction type but in total was similar to FY2013. Overall, improvements in leading indicators such as housing finance and residential building approvals are yet to translate into robust construction activity.
  - Mining, oil and gas activity has slowed from its peak corresponding with a reduced rate of new infrastructure build towards a cost-minimised maintenance environment.
  - Manufacturing customer activity remained subdued due to a relatively high AUD (in an historical context) and strong import competition (both of steel and prefabricated goods).

Lysaght and Fielders

- Sales volumes in FY2014 were higher than FY2013 by approximately 18% (6% excluding Fielders). Volumes in 2H FY2014 were higher than 1H FY2014 by approximately 18% (4% lower excluding Fielders, largely due to seasonality).
- Modest improvement was evident in business investment and business and consumer confidence levels flowing through to overall building market activity.
- During the year, residential building activity varied by state and dwelling type. New South Wales and south east Queensland saw some improvement with leading indicators such as housing finance and building approvals trending moderately higher.
- Non-residential construction activity increased led by growth in distribution warehouse development (particularly in NSW and Victoria) to meet the growing need for imported consumer goods. Sales to non-residential building projects in mining areas were weaker.

NEW ZEALAND AND PACIFIC STEEL PRODUCTS

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

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

In June 2014, New Zealand Steel acquired the rolling and marketing operations of Pacific Steel. Pacific Steel is the sole producer of long steel products such as billet, rod, bar, reinforcing coil and wire in New Zealand.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 7: Segment financial performance

$M	FY2014	FY2013	Var %	2H FY2014
Sales revenue	870.9	681.0	28%	451.3
Reported EBIT	73.6	33.8	118%	35.0
Underlying EBIT	74.7	33.8	121%	36.1
NOA (pre-tax)	645.6	466.8	38%	645.6

Table 8: Sales volume

000 tonnes	FY2014	FY2013	Var %	2H FY2014
Domestic steel	282.9	254.9	11%	152.1
Export steel	325.5	323.1	1%	166.0
Total steel	**608.5**	**578.0**	**5%**	**318.2**
Export iron sand	**2,313.2**	**1,701.4**	**36%**	**1,145.9**

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The $189.9M increase in sales revenue was primarily due to higher iron sands volumes and favourable domestic and export product mix partly offset by lower iron sands and export and domestic steel pricing in line with global iron ore and HRC prices.

EBIT performance

The $40.9M increase in underlying EBIT was largely due to:

- Better despatch mix with a higher proportion of domestic painted, ZINCALUME® and galvanised steel sales and lower export HRC despatches.
- Higher iron sands despatch volumes and lower mining costs.
- Higher steel spread driven by:
  - Lower coal, scrap and coating metal purchase prices
- Partly offset by:
  - Lower average global steel prices
  - Unfavourable foreign exchange impact on export and domestic prices from a stronger NZD:USD exchange rate (FY2014 US$0.831; FY2013 US$0.822)
- Favourable translation of earnings with a weaker NZD (AUD:NZD FY2014 NZ$1.106; FY2013 NZ$1.249).

These were partly offset by:

- Lower iron sands pricing in line with global iron ore prices.
- Unfavourable conversion costs due to lower slab and HRC production volumes.

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

FINANCIAL POSITION

Net operating assets were $178.8M higher than at 30 June 2013 primarily due to the acquired Pacific Steel NOA, translation impact of a weaker AUD:NZD exchange rate and capital expenditure.

MARKETS & OPERATIONS

Domestic sales

- Domestic residential building activity continues to grow. For the 12 months ending May 2014, new building consents are up 23% on the same period in 2013.
- Domestic non-residential building is showing signs of recovery with the value up 11% in the 12 months to May compared to the previous 12 month period.
- Canterbury building activity continues to grow; residential consents were up 40% for the 12 months ending May 2014. The total value of all new building consents, including non-residential, rose 40% in the same period.
- The increased approvals rate has started to flow through to steel sales volumes – this is reflected in a 6.7% increase in domestic sales in FY2014.

Export sales

- Despite domestic volumes being up by 16.5kt, export steel volumes for FY2014 were only 7.9kt below FY2013 due to a reduction of the high FY2013 slab inventory.
- Price levels were lower as they continued to decline under pressure from global over capacity and the strengthening of the NZD versus USD foreign exchange.
- Iron sands exports from Taharoa and Waikato North Head were 2,331.0kt, up 629.6kt on FY2013, driven by increased despatches from Taharoa (extra shipment) and Waikato North Head.
- Iron sands prices were down on FY2013 consistent with the decrease in global iron ore pricing.
- Export iron sands expansion for second ship (customer supplied) is on track to commence at the end of FY2015.
- In late December 2013, BlueScope announced plans to introduce a third ship in FY2016. BlueScope will charter a purpose-built 175,000 tonne slurry loading vessel and spend a total of A$50 million spread across FY2016 to FY2018 on mining, processing and ship loading equipment.

BUILDING PRODUCTS ASEAN, NORTH AMERICA & INDIA

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

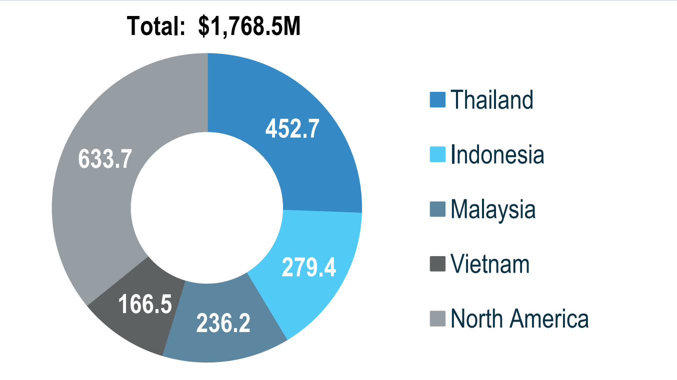
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential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

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue	1,742.9	1,635.5	7%	827.4
Reported EBIT	81.4	70.5	15%	40.0
Underlying EBIT	88.9	79.6	12%	38.0
NOA (pre-tax)	844.9	936.0	(10%)	844.9
Despatches	1,367.0kt	1,344.0kt	2%	662.2kt

Chart 2: Segment geographic sales revenue FY2014, $M [1]



1) Chart does not include $25.6M of eliminations (which balances back to total segment revenue of $1,742.9M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The $107.4M increase in sales revenue was mainly driven by favourable foreign exchange rate impacts from the weaker AUD in all regions, partly offset by lower domestic selling prices, particularly in Indonesia and Thailand, and lower Steelscape volumes due to closure of the Fairfield facility in December 2013.

EBIT performance

The $9.3M growth in underlying EBIT was largely due to:

- Higher despatch volumes and favourable product mix across all regions except North America, where volumes were lower due to closure of the Steelscape Fairfield facility.
- Favourable translation of earnings from a weaker AUD:USD exchange rate.
- Increased equity accounted benefit from TBSL.

Partly offset by:

- Unfavourable costs in North America (higher freight costs and lower production volumes), Thailand (higher support costs) and Vietnam (higher marketing and support costs and utility rates).
- Lower spreads in Indonesia, Malaysia and Thailand (mainly lower domestic pricing), partly offset by higher spreads at Steelscape.

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

FINANCIAL POSITION

Net operating assets decreased $91.1M since 30 June 2013 reflecting reduced inventory holdings and lower fixed assets, principally at Steelscape mainly due to the sale of the Fairfield facility.

MARKETS AND OPERATIONS

Thailand

- For the full year FY2014, despatch volume grew by 4% over FY2013 despite political instability impacting 2H FY2014.
- Operational performance improvement was underpinned by higher premium sales mix of ZINCALUME® and Clean COLORBOND® steels achieved through several successful initiatives in sales, marketing and operations:
  - customer loyalty programs
  - strong focus on specification in industrial and commercial segment (with architects, contractors and designers) to grow premium sales
  - new product distributor programs aimed at combating import competition, particularly in the residential segments and Northern Thailand region
  - launch of new painted products focused on residential segments supported by strong marketing and advertising campaigns to drive brand awareness
  - minimising cost expansion in manufacturing costs, operational cost saving through energy re-use initiatives and sourcing competitively priced raw materials.
- Good progress is being made working with NSSMC to launch new products (eg. VIEWKOTE®) and bring SuperDyma® technology into Thailand for the home appliance market:
  - In 4Q FY2014 the NS BlueScope Coated Products joint venture (NSBCP) sold its first batch of VIEWKOTE® to the home appliance market and will continue to grow these sales in FY2015 prior to launch of SuperDyma® after production begins in 1Q FY2016.
  - In addition, sales to the Japanese building and construction sector have grown significantly in FY14 as a result of the establishment of the NSBCP joint venture.
- Competitive pressure continues to increase as new domestic painted and coated suppliers are aggressively pursuing market share, particularly in the residential segment. Import activity also continues to intensify.

Indonesia

- FY2014 despatch volumes were largely in line with FY2013.
- The business faced its most difficult year since FY2009. Low cost imports and strong domestic competition impacted margins. Additionally:
  - The 1H performance was impacted by rapid depreciation of the Indonesian Rupiah to USD exchange rate movements and anti-dumping duty on cold-rolled coil (CRC).
  - In 2H, volumes slowed on construction activity due to the political election process: parliamentary elections were held in April 2014 and presidential elections were conducted in July 2014.
- Initiatives to improve business performance are being actively pursued:
  - To grow projects and retail channels to expand and establish a loyal and profitable customer base.
  - Pursue a more profitable product mix and generally improve volumes.
  - To reduce overall cost of serving customers.
  - Continue regulatory lobbying on trade competitiveness issues. The recent announcement of safeguard action on bare product from Vietnam, Taiwan and South Korea is a positive development.
  - Strategic CRC sourcing to minimise anti-dumping impact.
  - Hedging program to mitigate exposure to adverse foreign exchange fluctuations.
- Progress is being made on new sales initiatives through working with NSSMC since the formation of the NSBCP joint venture:
  - commencement of coated coils supply to Japanese roll-former
  - exploring with several Japanese steel house manufacturers, downstream cladding, structural and panel components supply for steel house construction in Indonesia.

Vietnam

- Despatch volumes in FY2014 grew 4.6% on FY2013 largely due to better customer diversity and continued efforts to drive business growth.
- Earnings and despatch volumes weakened in 2H FY2014 compared to 1H FY2014 due to increased competitive pressures (both increased domestic production and import activity) in a flat market.
- Chinese imports into Vietnam are expected to slow down going into FY2015 as a result of the introduction of trade measures by the Vietnamese Government.
- The business continues to target growth and increase domestic market share through enhancing retail brand awareness and distribution footprint with ZACS® steel stores (five stores fully operational in FY14, and 15 stores in progress to be rolled out).
- Progress is being made on new sales initiatives through working with NSSMC since the formation of the NSBCP joint venture: the business is selling increased volumes (especially zinc-aluminium coated steel) to Japanese customers for construction projects.

Malaysia

- Volumes grew by 13% and 1% in the steel coating and Lysaght businesses respectively compared with FY2013, driven by growth in the project market and effective sales into retail channels. Closure of low-margin steel recovery activities at the Singapore service centre offset this growth, resulting in total FY2014 volume being marginally higher than FY2013.
- The BlueScope ZACS® steel brand was successfully launched in November 2013 in line with the strategy of creating a premium brand in the retail segment, and was met with encouraging responses from the dealers and roll-formers.
- The coating business continues to focus on growing domestic market share and increasing sales into the residential projects and retail channels. The downstream business aims to consolidate its position as a premium leader in providing solutions to the market that maximise business value chain returns.

North America (Steelscape & ASC Profiles)

- With the sale of Steelscape's Fairfield (Alabama) metal coating and painting facility on 30 December 2013, despatch volumes were lower than FY2013 by 7%, (excluding volumes sold through Fairfield, the business saw 2% underlying volume growth in FY2014).
- Following the successful implementation of various restructuring initiatives, the business is well positioned to leverage the construction growth momentum and combat import competition. The various strategic initiatives of launching new products and finishes to diversify into new markets, growing residential brands and channels, optimising operations and supply chain efficiencies, are progressing well.

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

- The joint venture recorded 24% revenue growth and positive EBIT in FY2014.
- Coated steel sales volume grew by 33% compared to FY2013 with 23% growth in painted products and 68% growth in bare products.
- The higher growth in bare products on a relatively smaller base was driven by increased usage in solar and other alternate applications and a moderate growth of 5-6% in the projects market.
- The Building Products business grew by 37% driven primarily by retail sales which grew by 43%. Lysaght sales grew by 14%.
- During the period, an organisational restructure was undertaken, reducing management layers and making the business more customer-centric. The midstream and downstream businesses (except Building Solutions) merged into one Building Products business in order to leverage synergies and improve operational efficiencies.
- The business continues to focus on initiatives to expand the Durashine® retail channel which operates under the Tata Steel Distribution network.
- Performance was impacted by the depreciation of the Indian Rupee and business uncertainty due to the parliament elections which were held in April and May 2014.

GLOBAL BUILDING SOLUTIONS

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

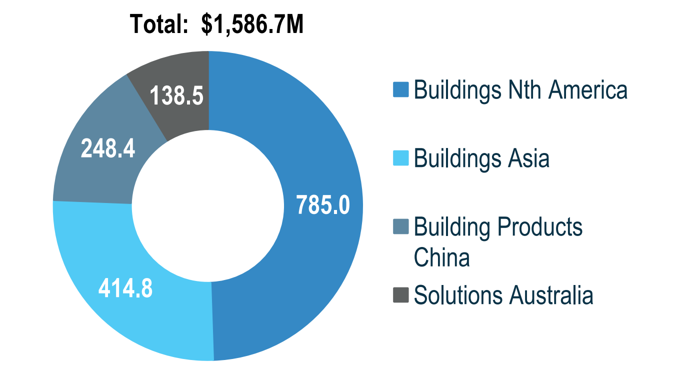
KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue	1,522.8	1,363.3	12%	715.7
Reported EBIT	51.4	10.0	414%	37.4
Underlying EBIT	18.5	18.0[1]	3%	2.3
NOA (pre-tax)	588.6	596.4	(1%)	588.6
Despatches	582.1kt	552.4kt	5%	272.8kt

1) Includes $7.7M one-off prior period (FY2005-FY2009) provision adjustment in Buildings Asia.

Chart 3: Segment geographic sales revenue FY2014, $M



FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The $159.5M increase in sales revenue was mainly due to favourable foreign exchange rate impacts from the weaker AUD in all regions together with stronger despatch volumes in North America and China partly offset by lower domestic selling prices across most regions and reduced volumes in Australia.

EBIT performance

The $0.5M increase in underlying EBIT was largely due to:

- Higher volumes, particularly in Buildings North America, as a result of continued growth in the U.S. non-residential construction market and the resulting impact of lower per unit conversion costs.
- Favourable foreign exchange translation impacts from a weaker AUD:USD exchange rate.

Partly offset by:

- Reduced margins across all regions driven by lower domestic prices, partly offset by lower steel feed costs.
- Losses in the Solutions Australia businesses due to challenging market conditions.

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

FINANCIAL POSITION

Net operating assets decreased $7.8M compared to 30 June 2013 reflecting higher creditors and impairment of non-current assets in the Australian business, partly offset by a full write-back of prior year impairments of Building Products China fixed assets.

MARKETS AND OPERATIONS

Buildings North America

- Despatch volumes were up 7% in FY2014 relative to FY2013 driven by an increase in the U.S. non-residential construction market activity in all major end-use sectors and despite severe cold weather conditions in North America which slowed business particularly during January to April 2014. This increase was influenced by a continued focus on new product development and product differentiation.
- General indicators of activity, such as F.W. Dodge analysis of non-residential construction and the Architectural Billings Index, point to continued growth in the U.S. non-residential construction market.

Buildings Asia (China & ASEAN)

- The China business contributed approximately 70% of sales revenue in FY2014; the remaining 30% was derived from ASEAN.
- Despatch volumes in the China business grew by 3% relative to FY2013, while overall margin performance deteriorated, influenced by a slowdown in building and construction activity in the premium market as both private and government participants reduce or delay investment.
- ASEAN FY2014 despatch volume grew 3% relative to FY2013, driven by strong industrial market activity, and margins increased on improved project pricing.
- The fourth China buildings plant in Xi'an (western China) was officially opened on 20 October 2013. Development was completed on time and on budget.
- The business has commenced a restructuring initiative targeting cost savings across sales, operations and functional support.

Building Products China

- Despite challenging market conditions leading to flat despatch volume (driven by lower internal demand from the Buildings Asia business), targeted initiatives to increase external sales of higher value-added product are supporting strong overall margin performance.
- In conjunction with Buildings China, the business has commenced a restructuring initiative targeting cost savings across sales, operations and functional support.

Engineered Building Solutions Global Accounts

- The Global Accounts group, formed in FY2013, is primarily focused on management and development of global strategic partnerships with multinational customers (Program Accounts) and expansion into non-traditional global territories.

- Sales generated through these global accounts are reported in the business unit that supplies the solution.
- Recent success with Program Accounts has secured projects in India, Indonesia, Venezuela and the African continent.

Solutions Australia

- The emerging building solutions businesses in Australia experienced challenging market conditions. In light of these market conditions the non-current assets have been fully impaired.
- Effective 1 July 2014 the businesses have been reorganised and will form part of the BCDA reporting segment.

HOT ROLLED PRODUCTS NORTH AMERICA

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

KEY FINANCIAL & OPERATIONAL MEASURES

Table 11: Segment performance

$M unless marked	FY2014	FY2013	Var %	2H FY2014
Sales revenue [1]	-	-	-	-
Reported EBIT [2]	101.6	66.7	52%	52.9
Underlying EBIT [2]	104.6	66.7	57%	55.9
NOA (pre-tax)	103.3	95.3	8%	103.3
Despatches [3]	987.6kt	983.2kt	0%	497.7kt

1) Excludes the Company's 50% share of NSBSL's sales revenue of A$743.9M in FY2014 and A$620.7M in FY2013.
2) Includes 50% share of net profit before tax from NSBSL of A$105.4M in FY2014 and A$69.6M in FY2013.
3) Reflects BlueScope's 50% share from NSBSL.

FINANCIAL PERFORMANCE – FY2014 VS. FY2013

Sales revenue

The segment is comprised of two equity accounted investments and as such has no sales revenue recorded in the Group accounts.

EBIT performance

The $37.9M growth in underlying EBIT was largely due to higher spreads, driven primarily by higher selling prices partially offset by higher scrap costs, and favourable foreign exchange translation impacts from a weaker AUD:USD exchange rate partly offset by unfavourable conversion costs due to higher power and utility rates.

FINANCIAL POSITION

Net operating assets are largely comprised of BlueScope's equity accounted investment in NSBSL. The $8.0M increase in net operating assets compared to 30 June 2013 primarily reflects earnings of the NSBSL joint venture being higher than the dividends returned to the owners.

MARKETS AND OPERATIONS

North Star BlueScope Steel

- NSBSL sells approximately 80% of its production in the Mid-West U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- Despatches for FY2014 were up 17.8kt on FY2013, at 992.1kt (BSL share).
- High capacity utilisation rates, relative to the market, have been maintained by NSBSL through an ability to retain existing customers and win new customers by consistent high performance in on-time delivery, service and quality.
- A detailed scoping and development study for a potential direct reduction iron (DRI) plant was concluded in July 2014. The conclusion reached was that the forecast risk adjusted returns are not sufficiently attractive to justify the investment. Accordingly, the shareholders of NSBSL, BlueScope and Cargill, decided not to proceed to the next phase of the project at this time.

OTHER INFORMATION

SAFETY

SAFETY MANAGEMENT

- The Company remains committed to its goal of Zero Harm.
- Our safety beliefs form the basis for achieving this goal:
  - Working safely is a condition of employment.
  - Employee involvement is essential.
  - Management is accountable for safety performance.
  - All injuries can be prevented.
  - Training employees to work safely is essential.
  - All operating exposures can be safeguarded.
- BlueScope's comprehensive Occupational Health and Safety Management System is mandatory in all operations under our control. The system focuses on three basic areas:
  - Safe and healthy people.
  - Safe systems.
  - Safe and tidy plant.
- Safety Management Standards have been established under this Management System, to which each business is required to demonstrate compliance.
- Also essential to our safety performance is the continuing development of our leaders, implementation of risk management practices, behavioural safety audits, reporting of incidents and near misses, and identifying and preventing 'at risk' behaviour and conditions.

FY2014 SAFETY PERFORMANCE

- Regrettably, there was a fatality at our Xi'an, China buildings site on 9 June 2014, with the tragic death of Mr Shen, a contractor.
- In FY2014:
  - the Lost Time Injury Frequency Rate was 0.9, our tenth straight year below 1.0
  - the Medical Treated Injury Frequency Rate of 5.3, our ninth year below 7.0.
- During the year a major new employee engagement program, 'Switch on Safety', was launched across the business to refocus leaders on setting safety expectations and standards and to encourage employees to refocus on safety.
- Noteworthy external recognition in FY2014 includes:
  - New Zealand & Pacific Islands – winner best Health & Safety initiative of the New Zealand Safeguard Workplace Health & Safety Awards 2014 for Contractor Safety.
  - NS BlueScope North America, Steelscape – winner of 2013 "Best Practices in Safety' by the National Coil Coaters Association.
- Other noteworthy safety achievements in FY2014 include:
  - Tata BlueScope Buildings Solutions – off-site construction achieved 3 million hours LTI free.
  - BANZ Distribution, Bunbury, WA – achieved 16 years LTI free.
  - NSBCP Vietnam – achieved 5 million hours and 4 years LTI free.
  - BlueScope Buildings Thailand – achieved 6 months injury free.
  - NSBCP North America, ASC Profiles, Anchorage – achieved 14 years LTI free.
  - BlueScope Building Products China, Lysaght Shanghai – Achieved 14 years LTI free.
  - NSBCP Lysaght Brunei – achieved 20 years LTI free.
  - BANZ Lysaght Dubbo, NSW – achieved 16 years LTI free and 3 years MTI free.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

- The BlueScope Steel Environment Management System comprises the following major elements:
  - Our Bond
  - Health, Safety, Environment and Community Policy
  - Environment Principles
  - Health, Safety and Environment Standards
  - BlueScope procedures and guidelines
  - Operational procedures.
- BlueScope continues to manage its environmental performance through the implementation of its business planning process, compliance systems, risk management practices, governance programs and management review.

AUSTRALIAN CARBON PRICING MECHANISM (CPM) AND STEEL TRANSFORMATION PLAN (STP)

- BlueScope was a liable entity under the CPM, which came into operation on 1 July 2012.
- In July 2014 the Federal Government abolished the CPM and STP, effective retrospectively from 1 July 2014.
- BlueScope has reflected the abolition of the CPM and STP in its FY2014 financial statements.
- From FY2015 onwards, BlueScope expects no longer to have exposure to scope 1, 2 and 3 emission costs, to receive allocations of EITE permits, nor to amortise the remaining benefit of the STP payment received in January 2012.
- As a trade exposed industry, BlueScope has not passed through any carbon costs in its flat steel product pricing during the operation of the CPM, and customers will see no change in product pricing as a result.
- In place of the CPM, the government intends to introduce a 'direct action' policy, comprising as its key elements an Emissions Reduction Fund (ERF) and a baseline and compliance mechanism.
- The Company is in ongoing discussions with the government about the design of this policy. A particularly important issue will be the methodology by which the government will set baselines, and ensuring it is sufficiently flexible to accommodate changes in steel production in response to market demand, as well as changes in production inputs and processes.
- The Company remains focused on improving the energy and carbon efficiency of all its operations.

NEW ZEALAND EMISSIONS TRADING SCHEME

- The Company is a liable entity under New Zealand's ETS.
- The activity of iron and steel manufacturing from iron sands as undertaken by New Zealand Steel has been assessed to be highly emissions-intensive and trade-exposed, and New Zealand Steel therefore qualifies for the allocation of Emission Units at the maximum rate (90%).
- The ETS is currently in a 'transition period'. During this period participants must surrender one emission unit for two tonnes of carbon dioxide equivalent emissions. Correspondingly the allocation of units to energy-intensive and trade-exposed activities is halved, but remains at the 90% allocation rate. It is possible to buy units at market price or at a fixed price of NZ$25 per tonne from the government. In July 2012 the New Zealand Government announced that it would effectively retain the current key transitional arrangements until a further review in 2015.
- A general election will be held on 20 September 2014, and the outcome can be expected to influence the 2015 review.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2014	Six months ended 31 December 2013
1Q FY2016	Three months ended 30 September 2015
2H FY2013	Six months ended 30 June 2013
2H FY2014	Six months ended 30 June 2014
4Q FY2014	Three months ended 30 June 2014
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
AUD, A$, $	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising CIPA, BCDA and NZPac segments)
BCDA	Building Components & Distribution Australia segment
BP or Building Products	Building Products, ASEAN, North America and India segment
BSL or BlueScope	BlueScope Steel Limited and its subsidiaries
CIPA	Coated & Industrial Products Australia segment
CRC	Cold rolled coil steel
DPS	Dividend per share
EAF	Electric arc furnace
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBS	Engineered building solutions, a key product offering of the GBS segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2013	12 months ended 30 June 2013
FY2014	12 months ended 30 June 2014
FY2015	12 months ended 30 June 2015
FY2016	12 months ended 30 June 2016
GBS	Global Building Solutions segment
Gearing ratio	Net debt divided by the sum of net debt and equity
Group, Company	BlueScope Steel Limited and its subsidiaries
HRC	Hot rolled coil steel
HRPNA, HRP North America	Hot Rolled Products North America segment
IFRS	International Financial Reporting Standards
Net debt	Gross debt less cash
NOA	Net operating assets pre-tax
NPAT	Net profit after tax
NRV	Net realisable value adjustment
NSBCP	NS BlueScope Coated Products joint venture
NSBSL	North Star BlueScope Steel
NSSMC	Nippon Steel & Sumitomo Metal Corporation
NZD	New Zealand dollar
NZPac or NZ Steel & Pacific	New Zealand & Pacific Steel Products segment
NZS	New Zealand Steel
PS	Pacific Steel
ROIC	Return on invested capital (or ROIC) – underlying EBIT (annualised in case of half year comparison) over average monthly capital employed
STP	Steel Transformation Plan
TBSL	Tata BlueScope Steel
U.S.	United States of America
USD, US$	United States dollar

BOARD COMPOSITION

The following were Directors for the full year ended 30 June 2014: Graham John Kraehe AO (Chairman), Ronald John McNeilly (Deputy Chairman), Daniel Bruno Grollo, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer), Penelope Bingham-Hall and Ewen Graham Wolseley Crouch AM. Lloyd Hartley Jones was appointed as a Director on 2 September 2013, John Andrew Bevan was appointed as a Director on 12 March 2014 and Rebecca Patricia Dee-Bradbury was appointed as a Director on 22 April 2014. Tan Yam Pin ceased to be a Director on 31 October 2013.

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

DIRECTORS' BIOGRAPHIES

Graham Kraehe AO, Chairman (Independent)
Age 71, BEc
Director since: May 2002
Directorships of other Australian listed entities in the past three years: Brambles Limited (February 2008 to date) and Djerriwarrh Investments Limited (July 2002 to date)

Mr Kraehe is Chairman of BlueScope Steel, Chairman of Brambles and a Director of Djerriwarrh Investments. He was previously Chairman of National Australia Bank, and a Director of News Corporation and the Reserve Bank of Australia. Brambles has announced that Mr Kraehe will retire from the Board effective 30 September 2014.

Mr Kraehe's executive career spanned 30 years as CEO of a number of businesses in the diversified industrial and wine sectors including Pacific BBA and Southcorp. In these roles he obtained extensive experience in manufacturing management and in companies with substantial, geographically diverse, industrial operations.

He has had many business and community roles including National President of the Australian Industry Group and Chairman of the Future Directions Forum. In December 2013, he was appointed to the Australian Prime Minister's Business Advisory Council. In 2003 he was made a member of the Order of Australia for services to industry and the environment.

Ron McNeilly, Deputy Chairman (Independent)
Age 71, BCom, MBA, FCPA
Director since: May 2002
Directorships of other Australian listed entities in the past three years: Worley Parsons Limited (October 2002 to date)

Mr McNeilly is Deputy Chairman of the Board. He has over 30 years experience in the steel industry.

Mr McNeilly joined BHP in 1962 holding various positions with the BHP Group (now BHP Billiton) including Executive Director and President BHP Minerals, Chief Operating Officer and Executive General Manager, and was Chief Executive Officer BHP Steel until 1997.

Mr McNeilly is also Deputy Chairman and Lead Independent Director of Worley Parsons Limited. He was previously a Director of Alumina Ltd, Vice President of the Australia Japan Business Cooperation Committee, a member of the Council on Australia Latin America Relations and Chairman of Melbourne Business School.

Daniel Grollo, Non-Executive Director (Independent)
Age 44
Director since: September 2006
Directorships of other Australian listed entities in the past three years: Nil

Mr Grollo is Executive Chairman of Grocon Group Holdings Pty Ltd, Australia's largest privately owned development and construction company, and a Non-Executive Director of UBS Grocon Real Estate. He brings extensive knowledge of the building and construction industry to the Board.

Mr Grollo is Chairman of the Green Building Council of Australia and former National President of the Property Council of Australia. In December, 2013 Mr Grollo was appointed to the Australian Prime Minister's Business Advisory Council.

Mr Grollo is Chair of the Health, Safety and Environment Committee.

Paul O'Malley, Managing Director and Chief Executive Officer
Age 50, BCom, M. App Finance, ACA
Director since: August 2007
Directorships of other Australian listed entities in the past three years: Nil

Mr O'Malley was appointed a Director of the Board, and Managing Director and Chief Executive Officer of BlueScope Steel, in 2007.

Mr O'Malley joined BlueScope as its Chief Financial Officer in December 2005. He was formerly the Chief Executive Officer of TXU Energy, a subsidiary of TXU Corp based in Dallas, Texas, and held other senior management roles within TXU. Before joining TXU, he worked in investment banking and consulting.

Ken Dean, Non-Executive Director (Independent)
Age 61, BCom (Hons), FCPA, FAICD
Director since: April 2009
Directorships of other Australian listed entities in the past three years: Santos Limited (February 2005 to date)

Mr Dean is a Director of Santos Limited and Energy Australia Holdings Ltd. He has held directorships with Alcoa of Australia Limited, Woodside Petroleum Limited and Shell Australia Limited. He spent more than 30 years in a variety of senior management roles with Shell in Australia and the United Kingdom. His last position with Shell, which he held for five years, was Chief Executive Officer of Shell Finance Services based in London.

Mr Dean was Chief Financial Officer of Alumina Limited from 2005 to 2009. He brings extensive international financial and commercial experience to the Board.

Mr Dean is Chair of the Audit and Risk Committee.

Penny Bingham-Hall, Non-Executive Director (Independent)
Age 54, BA (Ind.Des) FAICD, SF(Fin)
Director since: March 2011
Directorships of other Australian listed entities in the past three years: DEXUS Funds Management Limited (responsible entity for the DEXUS Property Group) (June 2014 to date)

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings prior to retiring from the company at the end of 2009. Senior positions held with Leighton include Executive General Manager Strategy, responsible for Leighton Group's overall business strategy and Executive General Manager Corporate, responsible for business planning and corporate affairs. She brings extensive knowledge of the building and construction industry in both Australia and Asian markets.

Ms Bingham-Hall is a director of DEXUS Funds Management Limited, the Sydney Ports Corporation, Newcastle Port Corporation, Port Kembla Port Corporation and is a former director of Australia Post and The Global Foundation. She is a director of Taronga Conservation Society Australia and has previously held non-executive directorships with other industry and community organisations, including the Art Gallery of NSW, the Australian Council for Infrastructure Development and as the inaugural Chairman of Advocacy Services Australia.

Ms Bingham-Hall is Chair of the Remuneration and Organisation Committee.

Ewen Crouch AM, Non-Executive Director (Independent)
Age 58, BEc (Hons) LLB, FAICD
Director since: March 2013
Directorships of other Australian listed entities in the past three years: Westpac Banking Corporation (February 2013 to date)

Mr Crouch is a Director of Westpac Banking Corporation, Chairman of Mission Australia and a board member of Sydney Symphony Orchestra.

Mr Crouch was a Partner at Allens from 1988 to 2013 where he was one of Australia’s leading M&A lawyers and held the following roles: Chairman of Partners, Co Head Mergers and Acquisitions and Equity Capital markets, Executive Partner – Asian Offices (responsible for the China and South East Asia practices of the firm) and Deputy Managing Partner.

He is a member of the Takeovers Panel, the Law Committee of the Australian Institute of Company Directors and the Corporations Committee of the Law Council of Australia.

Lloyd Jones, Non-Executive Director (Independent)
Age 61, BEng, MBA
Director since: September 2013
Directorships of other Australian listed entities in past three years: RCR Tomlinson Ltd (November 2013 to date), Arafura Resources Limited (August 2011 to February 2012)

Mr Jones is a director of Myer Family Investments, RCR Tomlinson Ltd, Deputy Chairman of Doric Group and an advisory director to a division of Deutsche Bank in Australia.

Mr Jones is a qualified engineer and spent 25 years of his career in a variety of senior management roles with Alcoa including General Manager of WA Operations, President of US Smelting and President Asia Pacific (based in Tokyo and Beijing). Most recently Mr Jones has served as President of Cerberus Capital Management's Asia Advisors Unit. His experience encompasses metals, smelting and roll forming, plant operations, energy, construction, mergers and acquisitions, corporate affairs and finance.

John Bevan, Non-Executive Director (Independent)
Age 57, BCom (Mkt)
Director since: March 2014
Directorships of other Australian listed entities in the past three years: Ansell Limited (August 2012 to date), Alumina Limited (June 2008 to December 2013)

Mr Bevan was CEO of Alumina Limited from 2008 to 2013. Before joining Alumina Limited in 2008 Mr Bevan spent 29 years in a variety of senior management roles with BOC Group, including as a director on The BOC Group plc Board, Chief Executive Process Gas Solutions with responsibility for the bulk and tonnage business for the entire BOC group, Chief Executive Asia and country lead roles in the United Kingdom, Thailand and Korea. Mr Bevan is also a non-executive director of Ansell Limited.

He brings to the Board extensive experience in international business and heavy industrial operations.

Rebecca Dee-Bradbury, Non-Executive Director (Independent)
Age 46, BBus (Mkt), GAICD
Director since: April 2014
Directorships of other Australian listed entities in the past three years: TOWER Limited (15 August 2014 to date)

Ms Dee-Bradbury was Chief Executive Officer/President Developed Markets Asia Pacific and ANZ for Kraft/Cadbury from 2010 to 2014, leading the business through significant transformational change. Before joining Kraft/Cadbury Ms Dee-Bradbury was Group CEO of the global Barbeques Galore group, and has held other senior executive roles in organisations including Maxxium, Burger King Corporation and Lion Nathan/Pepsi Cola Bottlers.

Ms Dee-Bradbury is a Non-Executive Director of TOWER Limited and until recently was a member of the Australian Federal Government's Asian Century Strategic Advisory Board. She brings to the Board significant experience in strategic brand marketing, customer relationship management and innovation.

COMPANY SECRETARIES

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

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

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

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

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

Director	Ordinary shares	Share rights
G J Kraehe	106,883	-
R J McNeilly	396,452	-
P F O'Malley	83,286	2,502,735
D B Grollo	38,447	-
K A Dean	35,488	-
P Bingham-Hall	57,834	-
E G W Crouch	25,000	-
L H Jones	20,000	-
J A Bevan	3,881	-
R P Dee-Bradbury	-	-

MEETINGS OF DIRECTORS

Attendance of the current Directors at Board and Board Committee meetings from 1 July 2013 to 30 June 2014 is as follows:

	Board meetings		Audit and Risk Committee		Remuneration and Organisation Committee		Health, Safety and Environment Committee		Nomination Committee		Other Sub-Committees		Annual General Meeting	
	A	B	A	B	A	B	A	B	A	B	A	B	A	B
G J Kraehe	14	12[3,4]	-	4[1]	8	8	4	4	6	5[3]	5	5	1	- [3]
R J McNeilly	14	13[4]	4	4	8	8	4	4	6	6	3	3	1	1
P F O'Malley	14	14	-	4[2]	-	8[2]	4	4	-	6[2]	5	5	1	1
D B Grollo	14	13[4]	1	1	5	5	4	4	6	6	-	-	1	1
K A Dean	14	13[4]	4	4	-	-	4	4	6	6	3	3	1	1
P Bingham-Hall	14	13[4]	-	-	8	8	4	4	6	6	2	2	1	1
E G W Crouch	14	12[3,4]	4	4	-	-	4	4	6	5[3]	2	2	1	1
L H Jones	10	10	3	3	-	-	3	3	5	5	-	-	1	1
J A Bevan	4	4	1	1	-	-	2	2	1	1	-	-	-	-
R P Dee-Bradbury	2	2	-	-	1	1	1	1	1	1	-	-	-	-

With the exception of Mr Jones, Mr Bevan and Ms Dee-Bradbury, all Directors have held office for the entire year ended 30 June 2014. Mr Jones was appointed as a Director on 2 September 2013, Mr Bevan was appointed as a Director on 12 March 2014 and Ms Dee-Bradbury was appointed as a Director on 22 April 2014.

A = number of meetings held during the period 1 July 2013 to 30 June 2014 during the time the Director was a member of the Board or the Committee, as the case may be.
B = number of meetings attended by the Director from 1 July 2013 to 30 June 2014.

1 The Chairman of the Board is not a Committee member and attends as part of his duties as Chairman.
2 The Managing Director and Chief Executive Officer is not a Committee member and attends by invitation as required.
3 A meeting was missed due to illness.
4 A special purpose meeting was missed through unavailability due to other prior commitments. Special purpose meetings are generally held by telephone and often called at short notice to provide updates on particular matters. Any Directors unable to attend are provided with separate briefings.

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

- Board meetings: 6
- Remuneration and Organisation Committee meetings: 3
- Nomination Committee meetings: 2

The Non-Executive Directors met three times during the year ended 30 June 2014 (without the presence of management). Non-Executive Directors' meetings are chaired by the Chairman of the Board.

REMUNERATION SUMMARY (UNAUDITED)

Through its remuneration strategy, BlueScope aims to motivate executives to deliver results that reward shareholders.

The Board takes great care to ensure BlueScope's remuneration structures have evolved to support our business through structural change and difficult industry conditions. The Board pro-actively consults with shareholders and proxy advisors and seeks external advice on the structure of our remuneration programs. This has resulted in a number of changes over recent years that have been well supported by shareholders. This report outlines the remuneration arrangements and outcomes for FY2014.

The Board reviewed the executive remuneration framework this year and decided not to make any further changes for FY2015.

The Board also decided there would be no increase in Directors' fees for 2014. Directors' base fees have not been increased since 1 January 2011 and Committee fees have not been increased since 1 January 2008.

1. Context

In recent years, BlueScope has significantly rationalised the Australian operations to focus on the domestic market and to materially exit the export business and has restructured its business portfolio to provide greater strategic focus on the Global Building Solutions and Building Products businesses. We have sought to reduce volatility and business risk, effectively transitioning from an Australian centric steel producer with significant exposure to commodity export markets to a value added global steel and building products business. Our shareholders and the share market responded very positively to these interventions with a significant improvement in our share price over the past two years. During FY2014, our share price appreciated by 24% compared to a rise in the ASX 200 Index of 14 % and a rise in the ASX 200 Materials Index of 15%.

Details of the FY2014 remuneration strategy were previously disclosed to shareholders in the FY2013 Remuneration Report which received support from more than 98% of shareholders at the 2013 Annual General Meeting. The following provides a summary of our remuneration arrangements for FY2014. Further details are described in the body of the full Remuneration Report:

- The vesting scale for LTI Share Rights starts at 40% at the 51st percentile of relative Total Shareholder Returns (TSR) compared to the ASX 100 (i.e. more demanding than most companies' TSR conditions).
- The LTI has a single re-test (compared to the 4 retests over 2 years that applied prior to the temporary arrangements in place for FY2013). The rationale for the retest is explained in more detail in section 3(iv) of the Remuneration Report. In essence, the retest is designed to ensure that TSR reliably captures the benefits from delivering on long-term strategic initiatives.
- Executives and Directors are required to build and retain a substantial shareholding.
- One third of STI is deferred as shares which is in line with the market practice amongst our remuneration peer group. The Board has discretion to claw back deferred STI equity awards in the event of serious misconduct by management that undermines the Company's performance, financial soundness and reputation.
- The Board has undertaken a market based review of KMP Executive base pay and increases in the order of 3% applied from 1 September 2013. The MD & CEO also received an increase of 3%, his first increase since 2010. Consistent with the external market, increases in the order of 3% have also been awarded from 1 September 2014.

2. Financial Performance Impact on Remuneration

The short-term and long-term incentive components of the remuneration structure reward achievement against Company and individual performance measures over one year and multi-year timeframes. The foundations were laid over the past three years to return the Company to profit. During that time executive remuneration, particularly for the MD & CEO, was constrained reflecting Company financial performance. STI payments were significantly below target for 2010, 2011 and 2012 (the MD & CEO received no STI in 2012). No LTI's have vested for any KMP for six years.

The improvement in financial performance achieved in FY2013 has continued in FY2014. This year's financial targets for STI performance were set requiring a challenging and material improvement on the prior year's performance.

- Reported net loss after tax (NLAT) was $82.4M, a $24.7M or a 23% increase on FY2013.
- Underlying NPAT was $112.3M, a $105.6M increase on FY2013.
- Underlying EBIT was $249.7M, a $175.6M or a 237% increase on FY2013.
- All operating segments' underlying EBIT increased with particularly good performances in Coated and Industrial Products Australia, New Zealand & Pacific Steel and Hot Rolled Products North America.
- The balance sheet remains strong, with a net debt position of $261.6 million. Cash flow from operations was particularly strong driven by business performance and timing of working capital. Gearing at 30 June 2014 stood at 5.5%.

These results demonstrate that we are making significant progress and it is appropriate that STI payments to KMP are consistent with this improvement.

3. KMP Key Performance Indicators for FY2014

The key performance indicators to assess the MD & CEO's Short Term Incentive (STI) were primarily based on:

- Significantly increased Group underlying NPAT
- Maintaining a strong balance sheet including strong cash flow, and
- Targeted acquisitions across Australia and New Zealand to lower our cost base, improve our customer offerings and deliver returns in excess of our cost of capital and increased sales at NS BlueScope Coated Products to construction companies and white goods manufacturers.

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

- Business Unit financial performance with underlying EBIT improvements in all operating segments with particularly strong improvements in Coated and Industrial Products Australia, New Zealand & Pacific Steel Products and Hot Rolled Products North America. Underlying EBIT performance continued to improve significantly on prior years but challenging targets had been set and these were not all universally met. In addition the Global Building Solutions, Hot Rolled Products North America and Building Products businesses exceeded their cash targets for the year.
- Delivery of benefits including sales to Japanese building and construction companies and home appliance markets from the NS BlueScope Joint Venture in S E Asia and North America.
- Successful implementation of acquisitions in both Australia and New Zealand to improve the efficiency with which we can serve our customers by further lowering costs through the integration of these businesses with our existing operations.
- Growth in iron sands sales and commissioning of a third ship to service additional sales from the Taharoa iron sands mine in New Zealand.
- Successful management intervention to enhance profitability in our Buildings China business.
- Net cash flow from operating activities was $407.1M, a $246.1M increase from FY2013.

An STI will be awarded to the MD & CEO and other KMP for achievements in FY2014. Full details of achievements against objectives are covered in sections 4 (II) and 5 (II) of the Remuneration Report. One third of the award will be held back as restricted shares in accordance with the Company's remuneration policy.

REMUNERATION REPORT (AUDITED)

The Directors of the Company present the Remuneration Report prepared in accordance with section 300A of the *Corporations Act 2001* for the Company and the consolidated entity for the year ended 30 June 2014. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the *Corporations Act 2001*. This Remuneration Report forms part of the Directors' Report.

INTRODUCTION

Through its remuneration strategy, BlueScope aims to motivate executives to deliver results that reward shareholders.

The Board of Directors oversees BlueScope's remuneration arrangements, including executive remuneration and the remuneration of Non-executive Directors. The Board, led by the Remuneration and Organisation Committee, conducts an annual review of the Company's remuneration strategy. This review includes consultation with shareholders and proxy advisors. Our goal has been to develop a remuneration strategy that both keeps our executive team focused on delivering the major restructuring initiatives required to return to an acceptable level of profitability and win widespread support from our shareholders.

Our shareholders and the share market responded very positively to the interventions we made following extensive consultation with shareholders and governance advisory bodies during FY2013. As advised to shareholders in the FY2013 Remuneration Report, elements of the remuneration structure were adjusted for FY2014. The changes re-balanced the design of the remuneration package taking into account the interests of shareholders and market practice.

Key elements of the remuneration strategy for FY2014 were:

1. Delivering a significant percentage of executive remuneration in deferred equity to align executive experience with shareholders;
2. Requiring 1/3rd of total STI awarded to be held as deferred equity with a one year trading lock;
3. Awarding STI for KMP Executives for achievement of financial targets and non-financial targets based on quantified results;
4. Maintaining a vesting scale for LTI Share Rights with 40% vesting at the 51st percentile of relative TSR compared to the ASX 100 and progressively vesting from the 51st percentile to the 75th percentile when 100% vests. The LTI has a single re-test one year after the first test.

Following market based reviews, a base pay increase of 3% was awarded to the MD & CEO, who had not had a base pay increase since 2010, and base pay increases in the order of 3% were awarded to the KMP Executives on 1 September 2013. Consistent with the external market, increases in the order of 3% will apply from 1 September 2014.

No changes are proposed to the Remuneration Strategy for FY2015.

1. CONTEXT

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

- Global steel industry continuing to go through a structural change as a result of excess capacity and Australian dollar and New Zealand dollar exchange rates remaining at historically high levels. This structural change continues to place downward pressure on domestic steel pricing as the Company competes with imports that benefit from the high dollar, as well as unfair trade (dumping).
- Australian domestic steel demand, while improved over FY2014, remaining comparatively weak compared to historical levels.
- Strengthening market competition in our Asian businesses as well as various other external factors such as political instability in Thailand, currency fluctuations mainly in Indonesia and a slowdown in building and construction activity in China.
- Our North American Buildings and Hot Rolled Products businesses saw a strong improvement driven by higher volumes and margin expansion notwithstanding particularly cold weather conditions impacting the start of the second half.

Against this background, management and employees across BlueScope have responded to the need to restructure the business to deliver continued improvement in the Company's performance and progress on growth initiatives. Major achievements in FY2014 included:

- Reported net loss after tax (NLAT) was $82.4M, a $24.7M or a 23% increase on FY2013.
- Underlying NPAT was $112.3M, a $105.6M increase on FY2013.
- Underlying EBIT was $249.7M, a $175.6M or a 237% increase on FY2013.
- Net cash flow from operating activities was $407.1M, a $246.1M increase on FY2013.
- Net debt has progressively reduced over the past 4 years from over $1bn at 30 June 2011 to $261.6M at 30 June 2014.
- Business Unit underlying EBIT improved in all operating segments with particularly strong improvements in Coated & Industrial Products Australia, New Zealand & Pacific Steel and Hot Rolled Products North America. While underlying EBIT performance continued to improve significantly on prior years challenging targets had been set and these were not all universally met.
- A strong and robust evaluation of DRI opportunities in North Star BlueScope Steel.
- Management intervention to enhance future profitability in the Buildings China business.
- Completed four incremental growth initiatives: acquisition of Fielders and Orrcon, acquisition of OneSteel's sheet & coil processing business, acquisition of Pacific Steel Group downstream rolling assets from Fletcher Buildings, and commissioning of a third ship to service Taharoa iron sands mine. Three acquisitions were completed during 2H FY2014 and are on track to deliver returns in excess of the Group's Return on Invested Capital (ROIC) hurdle.

The Board acknowledges the significant achievements by management and employees in delivering an underlying NPAT improvement of $105.6M compared to FY2013 and the 200% improvement in the company's share price over the past two years.

These factors have been considered by the Board in reaching decisions regarding executive remuneration.

2. REMUNERATION AND ORGANISATION COMMITTEE

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

The members of the Committee during the year were:

- Ms Penny Bingham-Hall - Independent Director and Chair of the Committee
- Mr Graham Kraehe AO - Chairman of the Board and Committee Member
- Mr Ron McNeilly - Deputy Chairman and Committee Member
- Mr Tan Yam Pin - Independent Director and Committee Member up to his retirement from the Board and the Committee on 31 October 2013
- Mr Daniel Grollo – Independent Director and Committee Member from 16 October 2013
- Ms Rebecca Dee-Bradbury - Independent Director and Committee Member from 12 June 2014

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

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

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

- Approving the terms of employment of the Key Management Personnel (KMP), including determining the levels of remuneration;
- Ensuring a robust approach to performance management through approval of the STI objectives and awards and reviewing performance of KMP Executives;
- Considering all matters relating to the remuneration and performance of the Managing Director and Chief Executive Officer prior to Board approval;
- Approving awards of equity to employees; and
- Ensuring the Company's remuneration policies and practices operate in accordance with good corporate governance standards, including approval of the Remuneration Report and communications to shareholders on remuneration matters.

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

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

During FY2014, the Remuneration and Organisation Committee employed the services of PwC to provide information and advice on remuneration strategy and structure including market practice which covers KMP. No remuneration recommendations as defined in section 9B of the *Corporations Act 2001* were provided.

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

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

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

In FY2014 there was no increase in fees for Non-executive Directors. The last increase occurred on 1 January 2011. The previous increase in base fees occurred on 1 January 2006 and in committee fees on 1 January 2008.

3. REMUNERATION POLICY

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

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

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

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

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

I) BLUESCOPE STEEL REMUNERATION PEER GROUP

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

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

The Board reviews the composition of the peer group annually. As a result of this year's review no changes were made to the Peer Group for FY2015. The current peer group is listed at section 10 below.

II) FIXED PAY

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

III) SHORT TERM INCENTIVE (STI)

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

For FY2014 and subsequent years, consistent with market practice amongst our peer companies, 1/3 of the total STI awarded will be withheld and awarded in restricted shares. All other terms and conditions of the restricted equity awards remain in place. The restricted shares have a one year trading lock and will lapse on resignation or termination for cause.

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

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

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

- Companywide Financial Measures - performance measures may include Net Profit After Tax, Cash Flow from Operations and Return on Invested Capital;
- Own Business Controllables –-performance measures against a range of controllable Business Unit financial and Operational Excellence measures based on approved business plans;
- Zero Harm - safety performance measures, including Lost Time Injury Frequency Rates and Medical Treatment Injury Frequency Rates;
- Projects and New Initiatives - performance measures based on measurable execution and implementation of business priorities included in the strategic plan.

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

The weightings that applied for FY2014 were as follows:

	Company Financials %	Zero Harm %	Business Unit financial and operating measures %	Projects and New Initiatives %	Total %
MD & CEO	60%	5%	0%	35%	100%
KMP Executives	25%	5%	30 –70%	0 – 40%	100%

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

Performance conditions, including threshold, target and stretch hurdles, are set for each plan and approved by the Board for KMP Executives. If the threshold level is not reached, no payment is made in respect of that goal. The Board retains the discretion to adjust any STI payments in exceptional circumstances, including determining that a reduced award or even no award is paid.

IV) LONG TERM INCENTIVE (LTI)

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

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

In recent years, LTI awards have reflected the Company's financial performance and shareholder feedback related to LTI. In FY2013, the quantum of rights for KMP Executives was calculated using a minimum share price of $2.40 reflecting the December 2011 capital raising price notwithstanding that the share price at the time of the grant was lower. Post vesting holding locks applied when KMP Executive LTI awards comprised a combination of LTI Share Rights and Retention Rights. In view of the current policy not to award Retention Rights to KMP Executives, post vesting holding locks have been replaced by a shareholding policy which requires a KMP Executive to build a minimum value of shares equivalent to 50% of base pay to be accumulated over time.

As advised to shareholders in the FY2013 Remuneration Report, and approved by more than 98% of shareholders at the 2013 Annual General Meeting, the following terms applied to the LTI program for FY2014:

- All Share Rights are subjected to a relative TSR performance hurdle compared to the ASX 100.
- The vesting scale for LTI Share Rights starts with 40% vesting at the 51st percentile and vests progressively from the 51st percentile to the 75th percentile when 100% vests.
- The LTI has a single re-test (compared to the 4 retests over 2 years that applied prior to the temporary arrangements in place for FY2013). The retest operates to extend the performance period from three years to four years thus requiring significant out performance in the fourth year before any vesting can occur. BlueScope continues to be affected by a volatile international steel market and volatile raw material prices. It is, therefore, important that strategic initiatives to continue our transition to a less volatile business portfolio are pursued by BlueScope's leadership team. However, this volatility introduces a level of uncertainty about the retention and incentive value of the LTI program during this transition period. The Board recognises this as well as the continuation of the tougher vesting scale, and the actual vesting experience and cost of the LTI program, through a single vesting retest. Executives at BlueScope are not permitted to hedge (such as 'cap and collar' arrangements) LTI awards, or vested shares held under trading lock restrictions. The last LTI that vested for BlueScope executives was the 2005 award, which vested in 2008. No LTI award has vested in the past six years.

V) RETENTION EQUITY

In exceptional circumstances in the past, the Board has awarded retention shares to a limited number of executives, where their retention is critical to the successful delivery of business strategy. Awards made on 29 August 2011 to support retention of key executives crucial to the implementation of the Company's restructure vested on 1 July 2014. The Board is satisfied these awards were successful in achieving their retention objectives.

The Board resolved not to reissue Retention Rights to KMP Executives for FY2014.

VI) EQUITY DILUTION

A goal of the Board in developing the remuneration structure for this transition period has been to increase the percentage of remuneration paid in deferred equity to further reinforce the alignment of executive experience with shareholders. At the same time the Board is cognisant of investor concerns regarding further equity dilution. The following table shows the number and percentage of outstanding equity awards compared to the issued share capital of the Company as at 30 June 2014.

	LTIP Rights	Retention shares	STI rights	Total equity awards	General employee share plan	Issued share capital
Number of awards	17,630,978	494,955	591,083	18,717,016	1,707,909	558,848,896
As a % of issued share capital	3.15%	0.09%	0.11%	3.35%	0.31%	100%

4. HOW THIS POLICY APPLIES TO THE MD & CEO

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

I) BASE PAY

Following a market based review, the Board approved a base pay increase for Mr O'Malley of 3% from 1 September 2013. This was his first increase in base pay since 1 September 2010. Consistent with market movement, an increase of 3% has been awarded from 1 September 2014.

II) SHORT TERM INCENTIVE (STI)

Shareholders were advised in the FY2013 Remuneration Report that STI objectives for FY2014 would be based on improving underlying profit, maintaining a strong balance sheet and the implementation of growth strategies in each of our four reporting segments and payment of a target STI for FY2014 would depend upon the achievements against quantifiable targets for each of these measures. 1/3rd of any STI awarded will be delivered in equity. The equity will be subject to a one year trading lock and will lapse on termination due to resignation or for cause.

The Board has resolved that the MD & CEO should receive70% of the STI available in recognition of his leadership in the delivery of the following:

- A significant increase in underlying NPAT – the Company has reported an underlying NPAT of $112.3M an increase of $105.6M from FY2013.
- Excellent cash management resulting in a continuing low net debt position at year-end of $261.6M.
- Targeted acquisitions across Australia and New Zealand to lower our cost base, improve our customer offerings and deliver returns in excess of our cost of capital and increased sales at NS BlueScope Coated Products to construction companies and white goods manufacturers.

STI objectives for FY2015 will be based on improving underlying profit, cash flow from operations and balance sheet strength, zero harm and business unit performance improvement and growth.

III) LONG TERM INCENTIVE (LTI)

The MD & CEO received an award of Share Rights for FY2013 under the then existing terms of his LTI plan, as approved by shareholders at the AGM in 2010. However, the MD & CEO agreed that in addition to the relative Total Shareholder Return hurdle previously approved, no Share Rights will vest unless the share price is at least $2.40, the price offered to shareholders at the time of the capital raising in November 2011.

Shareholders approved a new LTI plan at the 2013 Annual General Meeting for the MD & CEO to apply in FY2014 and FY2015 which reflect the terms described above at section 3(IV) namely a three year performance period with one retest after the fourth year, with the vesting scale starting at 40% at the 51st percentile. The new LTI plan is more restrictive than previous awards with only one retest, a reduction in the number of shares that will vest at the 51st percentile from 52% to 40%. Share Rights are not eligible for dividends until they vest.

Share Rights have been awarded for FY2014 on the terms described above at section 3(IV) using the current formula of 155% of base salary per annum. This percentage was agreed when the MD & CEO's initial contract was signed and at that time reflected an increased weighting to LTI and a reduced weighting of his STI.

5. HOW THIS POLICY APPLIES TO KMP EXECUTIVES

This section explains how the executive remuneration policies have been applied to KMP Executives during FY2014.

I) BASE PAY

A market based review of KMP Executive base pay was undertaken by the Board and increases in the order of 3% applied from 1 September 2013 were awarded. Consistent with market movements, increases in the order of 3% have been awarded from 1 September 2014.

II) SHORT TERM INCENTIVE (STI)

The Company has reported an underlying NPAT of $112.3M. This compares to an underlying NPAT of $6.7M in FY2013. BlueScope's financial performance of a $105.6M year on year improvement exceeded internal earnings targets to enable above target STI to be payable for Company Financials. BlueScope has as its Number 1 priority a safety goal of Zero Harm. We set challenging year on year safety improvement targets and these were not met this year. Accordingly, no STI is payable for safety performance.

STI awards were made for achievement of Business Unit EBIT growth objectives, achieving outstanding cashflow results and implementation of fundamental restructuring initiatives to underpin a turnaround in Company financial performance. Full details of the STI outcomes for each of the KMP Executives are included under section 8.4. In addition, KMP Executives will have one third of their total STI awards withheld, and delivered as restricted shares. These will lapse if the KMP Executive resigns or is terminated for cause within 12 months.

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

- Delivered strong group profit outcomes: group underlying NPAT up from $6.7M in FY2013 to $112.3M in FY2014. Underlying EBIT up from $74.1M in FY2013 to $249.7M in FY2014.
- The balance sheet remains strong, with a net debt position of $261.6 million. Cash flow from operations was particularly strong driven by business performance and timing of working capital. Gearing at 30 June 2014 stood at 5.5%.
- All operating segments' earnings increased, with particularly good performances in Coated and Industrial Products Australia, New Zealand Steel and Hot Rolled Products North America.
- In Australia and New Zealand (Mark Vassella supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
  - Coated & Industrial Products Australia underlying EBIT of $65.4M, a $95.7M increase on FY2013, driven by improved domestic despatch volumes, lower loss-making export despatches and improved AUD spread.
  - NZ Steel & Pacific underlying EBIT of $74.7M, a $40.9M increase on FY2013, driven by improved despatch mix, higher export iron sands volumes and improved steel spread.
  - Delivered growth initiatives: (i) the second and third iron sands export ships are on track for commencement during CY2015 and FY2016 respectively; (ii) acquired Orrcon and Fielders from Hills Holdings on 28 February 2014; (iii) acquired OneSteel sheet and coil distribution assets on 1 April 2014; and (iv) acquired the downstream long-products rolling and marketing operations of Pacific Steel Group in New Zealand on 3 June 2014.
  - Achieving product and channel development objectives including revenue and production performance targets from the launch of the next generation Colorbond.
- In Global Business Solutions (Bob Moore and Pat Finan supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
  - Cash flow from operations exceeded targets but STI awards for financial performance were restricted as underlying EBIT performance did not meet the minimum level required for an STI award.
  - Management intervention to enhance future profitability in Buildings China.
  - Revenue growth from the global program accounts which doubled from previous year and sales achievements from new markets.
- In the Building Products business (Sanjay Dayal supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
  - $9.3M improvement in segment underlying EBIT through improved margins and volume/mix.
  - Restructure of the North American business contributing to an underlying EBIT improvement of $8M in FY2014.
  - Implementation of new revenue opportunities in the Asian business delivering incremental EBIT of $4M.
  - Delivery of improved raw material sourcing arrangements and new market opportunities.
- In Hot Rolled Products North America (Pat Finan supported by Corporate KMP Michael Barron, Charlie Elias and Ian Cummin)
  - $37.9M improvement in HRPNA earnings through higher 2H dispatches, increased volumes and initiatives to contain costs, whilst maintaining industry leading customer service.
  - A strong and robust evaluation of DRI opportunities in North Star BlueScope Steel.

III) LONG TERM INCENTIVE (LTI)

Awards were made to KMP under the same terms as approved by more than 98% of shareholders for the award to the MD & CEO. These terms comprised a three year performance period with one retest after the fourth year, with the vesting scale starting at 40% at the 51st percentile. Share Rights are not eligible for dividends until they vest.

IV) RETENTION EQUITY

No retention rights were awarded to KMP Executives in FY2014.

V) LONG TERM INCENTIVE PLAN

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

	FY2009	FY2010	FY2011	FY2012 [1]	FY2013 [1]		
Grant Date	28 November 2008	30 November 2009	30 November 2010	16 April 2012	1 September 2012	1 September 2012	1 September 2012 and 20 December 2012
	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2008 AGM)	(The grant to the MD & CEO was subject to shareholder approval at the 2009 AGM)	(In view of Company financial performance, the MD & CEO did not receive a grant of Share Rights this year)	(The grant to the MD & CEO was subject to shareholder approval at the 2010 AGM)	Terms of Issue for Nil-Exercise Price Share Rights offered to Key Management Personnel	Terms of Issue for Retention Rights offered to Key Management Personnel and Executives
Exercise Date	From 1 September 2011	From 1 September 2012	From 1 September 2013	From 1 February 2015	From 1 September 2015	From 1 September 2015	From 1 September 2015
Expiry Date	31 October 2013	31 October 2014	31 October 2015	31 January 2016	31 October 2017	31 October 2015	31 October 2015
Total Number of Share Rights Granted	374,708	1,348,413	1,756,092	7,198,493	1,367,464	695,449	4,506,475
Total Number of Cash Rights Granted [2]		26,333	27,667	520,422	-	146,667	365,650
Number of Participants at Grant Date	255	313	285	266	1	7	257
Number of Current Participants	0	183	178	242	1	7	251
Exercise Price	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Fair Value Estimate at Grant Date	$2,765,343	$10,516,812	$9,723,180	$7,234,294	$1,805,052	$997,204	$8,402,825
Fair Value per Share Right at Grant Date	$9.84	$10.20	$7.20	$1.26	$1.32	$1.01	$1.06 (1 Sept 2012) $2.52 (20 Dec 2012)
Share Rights Lapsed since Grant Date	374,708	569,204	654,487	1,120,220	0	0	161,244
Cash Rights Lapsed since Grant Date	-	3,327	6,993	6,667	0	0	13,000
Performance Hurdle	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule	As per vesting schedule and minimum share price of $2.40	Minimum share price of $2.40
Vesting Schedule							
TSR Hurdle - 75th-100th percentile	100%	100%	100%	100%	100%	100%	N/A
TSR Hurdle - 51st-<75th percentile	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.			No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	There is no vesting until the 51st percentile, at which point 52% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will be carried over for assessment at subsequent performance periods.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	N/A
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance periods.			All Share Rights will lapse.	All Share Rights will be carried over for assessment at subsequent performance periods.	All Share Rights will lapse.	N/A
Vesting Outcome 1st Performance Period	0.00%	0.00%	0.00%	-	-	-	-
Vesting Outcome 2nd Performance Period	0.00%	0.00%	0.00%	No retesting	-	No retesting	No retesting
Vesting Outcome 3rd Performance Period	0.00%	0.00%	-	No retesting	-	No retesting	No retesting
Vesting Outcome 4th Performance Period	0.00%	0.00%	-	No retesting	-	No retesting	No retesting
Vesting Outcome 5th Performance Period	0.00%	-	-	No retesting	-	No retesting	No retesting

[1] These grants are within the first performance period and are yet to be tested.
[2] For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

	FY2014[1]		
Grant Date	14 November 2013	1 September 2013	12 November 2013
	(The grant to the MD & CEO was subject to shareholder approval at the 2013 AGM)	Terms of Issue for Nil-Exercise Price Share Rights offered to Key Management Personnel	Terms of Issue for Retention Rights offered to Executives
Exercise Date	From 1 September 2016	From 1 September 2016	From 1 September 2016
Expiry Date	31 October 2017	31 October 2017	31 August 2016
Total Number of Share Rights Granted	568,126	722,135	1,988,110
Total Number of Cash Rights Granted [2]	-	150,315	141,780
Number of Participants at Grant Date	1	7	203
Number of Current Participants	1	7	201
Exercise Price	Nil	Nil	Nil
Fair Value Estimate at Grant Date	$1,994,122	$3,134,621	$7,831,113
Fair Value per Share Right at Grant Date	$3.51	$3.30	$4.57
Share Rights Lapsed since Grant Date	0	0	14,624
Cash Rights Lapsed since Grant Date	0	0	6,960
Performance Hurdle	As per vesting schedule	As per vesting schedule	N/A
Vesting Schedule			
TSR Hurdle - 75th-100th percentile	100%	100%	N/A
TSR Hurdle - 51st-<75th percentile	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	No vesting until 51st percentile, at which point 40% vests increasing on a linear basis to 100% vesting at the 75th percentile. Any unvested Share Rights will lapse.	N/A
TSR Hurdle - < 51st percentile	All Share Rights will be carried over for assessment at subsequent performance period.	All Share Rights will be carried over for assessment at subsequent performance period.	N/A
Vesting Outcome 1st Performance Period	-	-	-
Vesting Outcome Last Performance Period	-	-	-

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

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

6. KMP EXECUTIVES – SUMMARY OF TERMS OF EMPLOYMENT

I) MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – OUTLINE OF EMPLOYMENT CONTRACT

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

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

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

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

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

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

II) OTHER KEY MANAGEMENT PERSONNEL – EXECUTIVES

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

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

7. THE RELATIONSHIP BETWEEN COMPANY PERFORMANCE AND REMUNERATION

The short-term and long-term incentive components of the remuneration structure reward achievement against Company and individual performance measures over one year and multi-year timeframes. The foundations were laid over the past three years to return the Company to profit. During that time executive remuneration, particularly for the MD & CEO, was constrained reflecting Company financial performance. The uplift in financial performance achieved in FY2013 has continued in FY2014 and it is appropriate that the remuneration outcomes this year reflect that.

The table below summarises the Company's performance for FY2014 and the previous four years. FY2014 represents the best financial performance in four years across each of the financial performance metrics. Notwithstanding this improvement the Company reported a $82.4M NLAT, however, importantly this included $55.8M restructuring provisions which will improve future profitability and $110.5M impairment of Australian tax assets which are available to be recovered when the Australian business returns to taxable profits.

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

- There has been no vesting of LTI awards in the past six years.
- Significantly below target STI payments were made in FY2010, FY2011 and FY2012.
- Higher STI awards were made in FY2013 and FY2014 reflecting the significant improvement in performance in those years.

BLUESCOPE STEEL PERFORMANCE ANALYSIS

Measure	30 June 2010	30 June 2011	30 June 2012	30 June 2013	30 June 2014
Share Price ($) [1]	12.60	7.26	1.80	4.67	5.42
Dividend per Share					
Ordinary (cents)	25	10	0	0	0
Earnings per Share (cents) [1]	35.0	-291.3	-234.6	-19.1	-14.8
REPORTED [2]					
NPAT $ M	126.0	-1054.0	-1043.5	-107.1	-82.4
EBIT $ M	240.0	-1043.0	-819.9	23.1	102.3
EBITDA $ M	590.0	-687.0	-489.1	338.7	429.9
UNDERLYING [2]					
NPAT $ M	110.0	-127.0	-237.5	6.7	112.3
EBIT $ M	253.0	-107.0	-224.3	74.1	249.7
EBITDA $ M	594.0	240.0	98.9	389.7	577.4

1) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, share prices and earnings per share for the prior periods, have been restated to reflect this change.
2) The use of the term 'reported' refers to IFRS financial information and 'underlying' to non-IFRS financial information. Underlying earnings are categorised as non-IFRS financial information prepared in accordance with ASIC Regulatory Guide 230 – Disclosing non-IFRS financial information, issued in December 2011. Underlying adjustments have been considered in relation to their size and nature, and have been adjusted from the reported information to assist readers to better understand the financial performance of the underlying business in each reporting period. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items. The non-IFRS financial information, whilst not subject to an audit or review, has been extracted from the financial report which has been subject to audit by our external auditors. A detailed reconciliation of adjustments to the reported financial information is provided on page 3 of the Director's Report.
3) Changes to AASB 119 Employee Benefits came into effect for BlueScope on 1 July 2013. The impact of this revised accounting standard is to increase defined benefit plan pension expense. Australian Accounting Standards require that comparative period financial information be adjusted to reflect the revised approach Accordingly, each of the FY 2013 earnings metrics are adjusted down by $28.7M pre-tax and $23.0M post-tax compared to those reported in the FY2013 financial statements. The comparative figures for 2010, 2011 and 2012 have not been restated.

8. SPECIFIC REMUNERATION DETAILS

8.1 NON-EXECUTIVE DIRECTORS' REMUNERATION

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

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

Fees are normally reviewed annually on 1 January. The Board decided that there would be no increase in Directors' fees for 2014. Directors' fees have not been increased since 1 January 2011 and prior to that Directors' base fees had not been increased since 1 January 2006. Committee fees have not been increased since 1 January 2008.

The schedule of fees (exclusive of superannuation) effective 1 January 2014, and which currently applies, is as follows:

Role	Fees effective 1 Jan 2014
Chairman [1]	$472,500
Deputy Chairman [1]	$273,000
Non-executive Director	$157,500
Chairman of Audit and Risk Committee	$36,750
Member of Audit and Risk Committee	$18,900
Chairman of Remuneration and Organisation Committee	$26,250
Member of Remuneration and Organisation Committee	$13,650
Chairman of Health, Safety and Environment Committee	$26,250
Member of Health, Safety and Environment Committee	$13,650

1) Additional fees are not payable to the Chairman and Deputy Chairman for membership of Committees.

The maximum fee pool limit is currently $2,925,000 per annum (inclusive of superannuation) as approved by shareholders at the Annual General Meeting in 2008. Total fees paid to Directors for the year ended 30 June 2014 amounted to $1,979,631 (FY2013 $2,018,387).

Compulsory superannuation contributions per Director capped at $18,783 per annum (commencing 1 July 2014) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2014 were $17,775 per annum. Non-executive Directors do not receive any other retirement benefits.

8.2 KEY MANAGEMENT PERSONNEL – DIRECTORS' REMUNERATION

Details of the audited remuneration for the year ended 30 June 2014 for each Non-executive Director of BlueScope are set out in the following table.

KMP Remuneration – Non-executive Directors

		Short-term benefits				
Name	Year	Fees[1]	Non-monetary	Sub-total	Post-employment benefits [2]	Total
		$	$	$	$	$
Director - Current						
G J Kraehe	2014	472,500	10,227	482,727	17,775	500,502
	2013	472,500	9,708	482,208	16,470	498,678
R J McNeilly	2014	273,000	-	273,000	17,775	290,775
	2013	273,000	-	273,000	16,470	289,470
Y P Tan [3]	2014	79,154	-	79,154	6,837	85,990
	2013	205,800	1,324	207,124	16,470	223,594
D B Grollo	2014	199,157	-	199,157	17,775	216,932
	2013	202,650	-	202,650	16,470	219,120
K A Dean	2014	207,900	-	207,900	17,775	225,675
	2013	207,900	-	207,900	16,470	224,370
P Bingham-Hall	2014	197,400	-	197,400	17,775	215,175
	2013	188,968	-	188,968	16,470	205,438
E G W Crouch [4]	2014	190,050	-	190,050	17,580	207,630
	2013	57,434	-	57,434	5,008	62,442
L H Jones [5]	2014	147,521	-	147,521	12,482	160,003
	2013	-	-	-	-	-
J A Bevan [5]	2014	44,762	-	44,762	4,140	48,902
	2013	-	-	-	-	-
R P Dee-Bradbury [5]	2014	25,672	-	25,672	2,375	28,047
	2013	-	-	-	-	-
D J Grady [6]	2014	-	-	-	-	-
	2013	124,389	1,324	125,713	10,378	136,091
H K McCann [6]	2014	-	-	-	-	-
	2013	145,271	1,324	146,595	12,589	159,184
Total 2014		1,837,115	10,227	1,847,342	132,289	1,979,631
Total 2013		1,877,912	13,680	1,891,592	126,795	2,018,387

1) There was no increase in Directors' fees during the year.
2) Post-employment benefits relate to government compulsory superannuation contributions.
3) Y P Tan retired with effect 31 October 2013.
4) E G W Crouch was appointed to the Board during year ended 30 June 2013
5) L H Jones, J A Bevan and R P Dee-Bradbury were appointed to the Board with effect from 2 September 2013, 12 March 2014 and 22 April 2014 respectively.
6) D J Grady and H K McCann retired with effect 15 February 2013 and 5 April 2013 respectively.

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

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

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

Current KMP - Executives	Position	Dates position held during year ended 30 June 2014
P F O'Malley	Managing Director and Chief Executive Officer	1 July 2013 – 30 June 2014
M G Barron	Chief Legal Officer and Company Secretary	1 July 2013 – 30 June 2014
I R Cummin	Executive General Manager, People and Organisation Performance	1 July 2013 – 30 June 2014
S Dayal	Chief Executive, Building Products	1 July 2013 – 30 June 2014
S R Elias	Chief Financial Officer	1 July 2013 – 30 June 2014
P Finan	President Global Building Solutions	1 July 2013 – 30 June 2014
R Moore	Chief Executive, Global Building Solutions	1 July 2013 – 30 June 2014
M R Vassella	Chief Executive, BlueScope Australia and New Zealand	1 July 2013 – 30 June 2014

The audited information contained in the following tables represents the annual remuneration for the year ended 30 June 2014 for the KMP. The aggregate remuneration of the KMP of the Company is set out below.

	2014 [1]	2013
	$	$
Short-term employee benefits [2]	11,227,789	12,299,364
Post-employment benefits	205,826	196,516
Other long-term benefits	228,948	108,168
Termination benefits	-	852,000
Share-based payments [3,4]	7,671,072	7,448,763
Total	19,333,635	20,904,811

1) The change in remuneration from FY2013 to FY2014 is largely attributable to a reduction in the number of KMP Executives.
2) This includes base salary, annual leave accruals, non-monetary benefits, superannuation received as cash allowance and STI payments.
3) This relates to awards of Share Rights that can only vest when performance hurdles are achieved.
4) For some countries, where there are additional restrictions relating to awards of equity, a 'Cash Rights' award is made which delivers a cash payment on vesting.

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

KMP - Remuneration – 2014

Name	Year	Short-term employee benefits: Salary and fees [1] $	Movement in annual leave provision [2] $	Short Term Incentive [3] $	Non-monetary [4] $	Other [5] $	Sub-total $	Post-employment benefits [6] $	Other long-term employee benefits [7] $	Termination benefits $	Share-based payments: Shares and units $	Options and rights [3] $	Total $	% of performance related pay [8] %
Executive Director														
P F O'Malley	2014	1,792,929	28,424	1,011,323	0	225,795	3,058,471	25,000	56,727	0	0	1,807,940	4,948,138	57.0
	2013	1,750,000	14,472	1,050,000	995	220,000	3,035,466	25,000	41,890	0	3,726	2,039,381	5,145,463	60.0
KMP Executives														
M R Vassella	2014	1,023,654	-21,592	457,732	0	118,311	1,578,105	25,000	40,687	0	268,667	715,997	2,628,456	44.7
	2013	1,000,000	-18,654	395,100	88,620	115,000	1,580,066	25,000	23,937	0	268,667	772,291	2,669,961	43.7
I R Cummin	2014	636,198	11,833	274,598	46,834	61,161	1,030,624	24,221	18,937	0	166,562	458,035	1,698,379	43.1
	2013	620,000	-21,101	222,828	995	61,800	884,522	25,000	14,841	0	166,562	478,225	1,569,150	44.7
M G Barron	2014	636,198	-13,669	286,093	1,041	63,853	973,516	25,000	21,865	0	166,562	463,782	1,650,725	45.4
	2013	620,000	41,896	242,358	995	61,800	967,049	25,000	14,841	0	166,562	497,755	1,671,207	44.3
S R Elias	2014	794,969	70,501	403,139	1,041	86,031	1,355,681	25,000	25,893	0	204,996	592,825	2,204,395	45.2
	2013	763,000	18,047	295,510	1,015	81,820	1,159,392	25,000	18,264	0	204,996	603,620	2,011,273	44.7
S Dayal	2014	912,999	67,390	389,189	-206,349	102,820	1,266,049	25,000	28,227	0	224,609	1,599,843	3,143,728	63.3
	2013	881,587	61,028	330,528	-158,803	98,200	1,212,540	25,000	22,329	0	164,134	1,273,357	2,697,361	59.5
P J Finan	2014	539,991	8,268	142,771	643	0	691,673	21,609	0	0	126,763	291,950	1,131,995	38.4
	2013	471,367	5,513	144,474	234,756	0	856,110	0	0	0	126,763	296,564	1,279,437	34.5
R J Moore	2014	766,875	3,746	206,721	213,965	82,363	1,273,670	34,996	36,612	0	162,301	420,240	1,927,819	32.5
	2013	713,739	33,253	245,250	354,125	74,797	1,421,163	25,000	44,425	0	162,301	473,236	2,126,125	33.8
K A Mitchelhill [9]	2014	0	0	0	0	0	0	0	0	0	0	0	0	-
	2013	707,087	33,073	190,134	175,286	77,475	1,183,055	21,517	-72,360	852,000	-116,477	-132,900	1,734,835	3.3
Total 2014		7,103,813	154,901	3,171,566	57,175	740,334	11,227,789	205,826	228,948	0	1,320,460	6,350,612	19,333,635	
Total 2013		7,526,779	167,526	3,116,182	697,983	790,892	12,299,364	196,516	108,168	852,000	1,147,234	6,301,529	20,904,811	

1) All KMPs received a base pay increase of 3% apart from S R Elias and S Dayal who received 5%. Exchange rate differences also affected overseas based KMPs.
2) Negative movement in annual leave provision indicates leave taken during the year exceeded leave accrued during the current year.
3) The amount disclosed under the heading Short Term Incentive represents the 2/3 of STI payable in cash. The remaining 1/3 is withheld and payable in restricted equity which is included as a share based payment. For FY2013 50% was payable in cash and 50% withheld and payable as restricted equity.
4) Non-monetary includes executive health check and benefits provided under the Company's international assignment policy e.g. accommodation, tax equalisation, relocation benefits and medical coverage.
5) Due to changes in the superannuation legislation resulting in maximum contribution levels, members of the Defined Contribution Division can elect to receive a proportion of their superannuation as a cash allowance.
6) Post-employment benefits relate to superannuation contributions. There are no other post-employment benefits.
7) This shows movement in long service leave benefits during the year.
8) The % of remuneration that is performance related recognises LTI based on accounting values rather than the amounts actually received. The last LTI award to vest was the 2005 Award that vested in September 2008.
9) K A Mitchelhill left the company during FY2013.

8.4 SHORT TERM INCENTIVE AWARDS

For the year ended 30 June 2014 STI awards were made for the achievement of quantifiable objectives including a significant improvement in underlying profit, excellent cash management and improvements in business operating performance. One third of any STI awarded has been withheld and delivered as restricted Share Rights. These will lapse if the executive resigns or is dismissed within 12 months. Eligibility to receive an STI award is subject to the terms and conditions of the plan, including a minimum of six months' performance during the plan year and employment during the period is not terminated due to resignation, for cause or performance-related reasons.

Under the Company's Short Term Incentive Plan each executive can earn between 0% and 150% (maximum) of the STI target award. The table below shows the, actual percentage outcome achieved and percentage forfeited for the year ended 30 June 2014.

SHORT TERM INCENTIVES

Name	Actual STI as a % of maximum STI for year ended 30 June 2014 [1]	% of maximum STI forfeited for year ended 30 June 2014
	%	%
Executive Director		
P F O'Malley	70	30
KMP Executives		
M R Vassella	74	26
I R Cummin	72	28
M G Barron	75	25
S R Elias	84	16
S Dayal	70	30
P J Finan	48	52
R J Moore	45	55

1) One third of total STI awarded is withheld and payable in restricted equity.

8.5 SHARE RIGHTS HOLDINGS

Share Rights granted, exercised and forfeited by the KMP during the year ended 30 June 2014 were as follows:

VALUE OF SHARE RIGHTS HOLDINGS

Name	Remuneration consisting of Share Rights [1]	Value of Share Rights granted during the year at grant date [2]	Value of Share Rights exercised during the year	Value of Share Rights at lapse date, that lapsed during the year	Total value of Share Rights granted, exercised and lapsed during the year
	%	$	$	$	$
Executive Director					
P F O'Malley	62	3,044,057	-	67,338	3,111,395
KMP Executives					
M R Vassella	36	948,022	359,330	15,309	1,322,661
I R Cummin	33	565,635	111,393	11,511	688,539
M G Barron	35	585,163	111,393	11,511	708,067
S R Elias	33	725,761	137,086	13,345	876,191
S Dayal	26	826,546	217,395	12,410	1,056,351
P J Finan	39	443,941	82,611	6,834	533,386
R J Moore	34	659,944	154,638	7,657	822,239

1) This figure is calculated on the value of Share Rights awarded in the year ended 30 June 2014 as a percentage of the total value of all remuneration received in that same year.
2) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights awarded in the year ended 30 June 2014. The valuation has been made using the Black-Scholes Option Pricing Model (BSM) that includes a Monte Carlo simulation analysis.

The Share Rights awarded to executives under the September 2008 Award were tested after the last (31 August 2013) performance period and no vesting occurred. As this was the final performance period for the 2008 Award and as the Award has not vested, all Share Rights granted under the Award have been lapsed under the terms of the Award. The September 2009 Award was tested after the third (31 August 2013) and fourth (28 February 2014) performance periods and no vesting occurred. The September 2010 Award was tested after the first (31 August 2013) and the second (28 February 2014) performance periods and no vesting occurred. Both the September 2009 and 2010 Awards will be tested after the conclusion of the fifth and third performance period respectively on 31 August 2014.

Details of the audited Share Rights holdings for year ended 30 June 2014 for the KMP - Executives are set out in the following table. Refer to the Summary Table of Long Term Incentive Plan Awards (section 5(V)) for details with respect to fair values, exercise price and key dates.

BSL LTIP VESTING HISTORY

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

Award – Date	Test	Test Date	Performance Outcome
FY 2003 - September 2002	First	September 2005	• 100% vested
FY 2004 - September 2003	First Second Third	September 2006 February 2007 September 2007	• 71% vested • 26% vested • 3% vested
FY 2005 - September 2004	First Second	September 2007 February 2008	• 58% vested • 42% vested
FY 2006 - September 2005	First	September 2008	• 100% vested
FY 2007 - September 2006	First Second Third Fourth Fifth	September 2009 February 2010 September 2010 February 2011 September 2011	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting
FY 2008 - September 2007	First Second Third Fourth Fifth	September 2010 February 2011 September 2011 February 2012 September 2012	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting
FY 2009 - September 2008	First Second Third Fourth Fifth	September 2011 February 2012 September 2012 February 2013 September 2013	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting
FY 2010 - September 2009	First Second Third Fourth Fifth	September 2012 February 2013 September 2013 February 2014 September 2014	• Nil vesting • Nil vesting • Nil vesting • Nil vesting • Nil vesting expected
FY 2011 - September 2010	First Second Third Fourth Fifth	September 2013 February 2014 September 2014 February 2015 September 2015	• Nil vesting • Nil vesting • Nil vesting expected • Nil vesting expected • Nil vesting expected
FY 2012 - February 2012 (KMP only MD & CEO nil award)	Single test Release date	January 2015 January 2016	• To be tested
FY2013 - September 2012 ELT FY2013 - September 2012 ELT FY2013 - September 2012 CEO	Retention Rights Single test Release date First Second Third Fourth Fifth	September 2015 September 2015 September 2017 September 2015 February 2016 September 2016 February 2017 September 2017	• $2.40 share price hurdle • To be tested • To be tested
FY2014 - September 2013 (MD & CEO and ELT)	First Second	September 2016 September 2017	• To be tested

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

Share rights holdings

The numbers of 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.

Share Rights holdings for the financial year ended 30 June 2014

2014	Balance at 30 June 2013	Granted in year ended 30 June 2014 [1]	Vested and exercised in year ended 30 June 2014 [2]	Lapsed in year ended 30 June 2014	Balance at 30 June 2014	Vested and not yet exercised in year ended 30 June 2014	Unvested at 30 June 2014	Total Share Rights vested in year ended 30 June 2014
Executive Director								
P F O'Malley	1,763,561	780,234	-	41,060	2,502,735	-	2,502,735	-
KMP Executives								-
M R Vassella	862,974	247,373	159,702	9,335	941,310	-	941,310	159,702
I R Cummin	497,345	148,898	49,508	7,019	589,716	-	589,716	49,508
M G Barron	497,345	152,843	49,508	7,019	593,661	-	593,661	49,508
S R Elias	608,964	190,080	60,927	8,137	729,980	-	729,980	60,927
S Dayal	715,153	217,084	96,620	7,567	828,050	-	828,050	96,620
P J Finan	394,246	119,935	36,716	4,167	473,298	-	473,298	36,716
R J Moore	520,284	175,212	68,728	4,669	622,099	-	622,099	68,728

1) The number of share rights granted includes rights awarded under the FY2013 short term incentive plan disclosed in the FY2013 Remuneration Report.
2) The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.

Share Rights holdings for the financial year ended 30 June 2013

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

1) The number of Share Rights granted includes rights awarded under the FY2013 Short Term Incentive plan disclosed in the FY2013 Remuneration Report.
2) The number of shares issued is equal to the number of rights exercised and no amount was paid or remains unpaid for each share issued.
3) K A Mitchelhill retains pro-rata Share Rights with vesting subject to achieving performance hurdles. The balance is represented as at 31 March 2013.

The table below sets out the details of each specific share right tranche and awards granted and vested during the year ended 30 June 2014 for each KMP.

2014	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2014 [1] $ Min	$ Max
Executive Director								
P F O'Malley	41,060	28-Nov-08	-	100%	-	-	-	-
	155,000	30-Nov-09	-	-	155,000	2015	-	1,581,000
	200,037	30-Nov-10	-	-	200,037	2015	-	1,440,266
	0	16-Apr-12	-	-	-	-	-	-
	1,367,464	01-Sep-12	-	-	1,367,464	2016	-	1,805,052
	212,108	16-Aug-13	-	-	212,108	2015		1,049,998
	568,126	14-Nov-13	-	-	568,126	2018	-	1,994,122
KMP Executives								
M R Vassella	9,335	28-Nov-08	-	100%	-	-	-	-
	35,239	30-Nov-09	-	-	35,239	2015	-	359,438
	44,969	30-Nov-10	-	-	44,969	2015	-	323,777
	322,062	16-Apr-12	-	-	322,062	2015	-	405,798
	159,702	17-Aug-12	100%	-	-	2014	-	-
	166,667	01-Sep-12	-	-	166,667	2016	-	168,334
	125,000	01-Sep-12	-	-	125,000	2016	-	132,500
	79,813	16-Aug-13	-	-	79,813	2015	-	395,098
	167,560	01-Sep-13	-	-	167,560	2018	-	552,948
I R Cummin	7,019	28-Nov-08	-	100%	-	-	-	-
	26,495	30-Nov-09	-	-	26,495	2015	-	270,249
	33,810	30-Nov-10	-	-	33,810	2015	-	243,432
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	100%	-	-	2014	-	-
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150
	45,013	16-Aug-13	-	-	45,013	2015	-	222,828
	103,885	01-Sep-13	-	-	103,885	2018	-	342,821

2014	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2014 [1] $ Min	$ Max
M G Barron	7,019	28-Nov-08	-	100%	-	-	-	-
	26,495	30-Nov-09	-	-	26,495	2015	-	270,249
	33,810	30-Nov-10	-	-	33,810	2015	-	243,432
	199,679	16-Apr-12	-	-	199,679	2015	-	251,596
	49,508	17-Aug-12	100%	-	-	2014	-	-
	103,334	01-Sep-12	-	-	103,334	2016	-	104,367
	77,500	01-Sep-12	-	-	77,500	2016	-	82,150
	48,958	16-Aug-13	-	-	48,958	2015	-	242,357
	103,885	01-Sep-13	-	-	103,885	2018	-	342,821
S R Elias	8,137	28-Nov-08	-	100%	-	-	-	-
	30,715	30-Nov-09	-	-	30,715	2015	-	313,293
	40,909	30-Nov-10	-	-	40,909	2015	-	294,545
	245,734	16-Apr-12	-	-	245,734	2015	-	309,625
	60,927	17-Aug-12	100%	-	-	2014	-	-
	127,167	01-Sep-12	-	-	127,167	2016	-	128,439
	95,375	01-Sep-12	-	-	95,375	2016	-	101,098
	59,695	16-Aug-13	-	-	59,695	2015	-	295,508
	130,385	01-Sep-13	-	-	130,385	2018	-	430,271
S Dayal [2]	7,567	28-Nov-08	-	100%	-	-	-	-
	30,000	30-Nov-09	-	-	30,000	2015	-	306,000
	40,885	30-Nov-10	-	-	40,885	2015	-	294,372
	283,414	16-Apr-12	-	-	283,414	2015	-	357,102
	96,620	17-Aug-12	100%	-	-	2014	-	-
	146,667	01-Sep-12	-	-	146,667	2016	-	148,134
	110,000	01-Sep-12	-	-	110,000	2016	-	116,600
	66,769	16-Aug-13	-	-	66,769	2015	-	330,527
	150,315	01-Sep-13	-	-	150,315	2018	-	496,040

2014	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Share Rights yet to vest	Financial year in which awards may vest	Value of Share Rights not vested 30 June 2014 [1] $ Min	$ Max
P J Finan	4,167	28-Nov-08	-	100%	-	-	-	-
	16,667	30-Nov-09	-	-	16,667	2015	-	170,003
	29,202	30-Nov-10	-	-	29,202	2015	-	210,254
	170,504	16-Apr-12	-	-	170,504	2015	-	214,835
	36,716	17-Aug-12	100%	-	-	2014	-	-
	78,280	01-Sep-12	-	-	78,280	2016	-	79,063
	58,710	01-Sep-12	-	-	58,710	2016	-	62,233
	29,185	16-Aug-13	-	-	29,185	2015	-	144,475
	90,750	01-Sep-13	-	-	90,750	2018	-	299,475
R J Moore	4,669	28-Nov-08	-	100%	-	-	-	-
	17,625	30-Nov-09	-	-	17,625	2015	-	179,775
	30,570	30-Nov-10	-	-	30,570	2015	-	220,104
	194,525	16-Apr-12	-	-	194,525	2015	-	245,102
	68,728	17-Aug-12	100%	-	-	2014	-	-
	116,667	01-Sep-12	-	-	116,667	2016	-	117,834
	87,500	01-Sep-12	-	-	87,500	2016	-	92,750
	49,542	16-Aug-13	-	-	49,542	2015	-	245,248
	125,670	01-Sep-13	-	-	125,670	2018	-	414,711

1) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2014.
2) Due to restrictions relating to awards of equity in Singapore, S Dayal was awarded Cash Rights in FY2014 which delivers a cash payment on vesting.

8.6 SHARES AWARDED AS REMUNERATION

The following table shows shares awarded during year ended 30 June 2012 which vested on 1 July 2014 (year ending 30 June 2015). No shares were awarded during year ended 30 June 2014.

Share Award Summary

2014	Number of Shares awarded	Date of grant	% vested in year ended 30 June 2014	% forfeited in year ended 30 June 2014	Shares yet to vest	Financial year in which awards may vest	Value of Shares not vested 30 June 2014 [1] $ Min	$ Max
Executive Director								
P F O'Malley	-	-	-	-	-	-	-	-
KMP Executives								
M R Vassella	108,233	29-Aug-11	-	-	108,233	2015	-	551,990
I R Cummin	67,100	29-Aug-11	-	-	67,100	2015	-	342,210
M G Barron	67,100	29-Aug-11	-	-	67,100	2015	-	342,210
S R Elias	82,584	29-Aug-11	-	-	82,584	2015	-	421,178
S Dayal [2]	80,634	29-Aug-11	-	-	80,634	2015	-	411,233
P J Finan	51,067	29-Aug-11	-	-	51,067	2015	-	260,442
R J Moore	65,384	29-Aug-11	-	-	65,384	2015	-	333,458

1) External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2014.
2) Due to restrictions relating to awards of equity in Singapore, S Dayal was awarded Cash Rights in FY2014 which delivers a cash payment on vesting.

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8.7 SHARE HOLDINGS IN BLUESCOPE STEEL LIMITED

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

SHARE HOLDINGS[1] IN BLUESCOPE STEEL LIMITED

Name	Ordinary shares held as at 30 June 2013	Received during the year on the exercise of share rights[2]	Shares granted as compensation	Net changes (other)[3]	Ordinary shares held as at 30 June 2014
Non-executive Directors					
G J Kraehe	106,883	-	-	-	106,883
R J McNeilly	396,452	-	-	-	396,452
Y P Tan[4]	47,135	-	-	-	47,135
D B Grollo	38,447	-	-	-	38,447
K A Dean	29,488	-	-	6,000	35,488
P Bingham-Hall	47,834	-	-	10,000	57,834
E G W Crouch [5]	14,500	-	-	10,500	25,000
L H Jones [6]	-	-	-	20,000	20,000
J A Bevan [6]	-	-	-	3,881	3,881
R P Dee-Bradbury [6]	-	-	-	-	-
Executive Director					
P F O'Malley	83,286	-	-	-	83,286
KMP Executives					
M R Vassella	117,952	159,702	-	-160,027	117,627
I R Cummin	123,651	49,508	-	-50,080	123,079
M G Barron	99,255	49,508	-	-49,508	99,255
S R Elias	93,581	60,927	-	-60,927	93,581
S Dayal [7]	3,334	96,620	-	-96,620	3,334
P J Finan	82,309	36,716	-	-67,125	51,900
R J Moore	224,453	68,728	-	-88,728	204,453

1) Including related party interests.
2) Exercise of share rights awarded under the FY2012 STI Plan. No amounts were payable on exercise of the share rights.
3) These amounts represent ‘ on market’ acquisitions and disposals of shares
4) Y P Tan resigned from the Board effective 31 October 2013. The shareholding is represented as at 31 October 2013.
5) E G W Crouch was appointed to the Board with effect from 12 March 2013.
6) L H Jones, J A Bevan and R P Dee-Bradbury were appointed to the Board with effect from 2 September 2013, 12 March 2014 and 22 April 2014 respectively.
7) S Dayal also holds 80,634 Cash Rights awarded under the Special Retention Award.

9.0 RELATED PARTY TRANSACTIONS

9.1 LOANS TO KEY MANAGEMENT PERSONNEL

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

9.2 OTHER TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Mr Daniel Grollo is a director of Grocon Group Holdings Pty Ltd, a privately owned company. Grocon occasionally purchases Lysaght building products from the BlueScope Steel Group on normal terms and conditions. Total amounts purchased from the BlueScope Steel Group by Grocon for the 12 months ended 30 June 2014 was $1,919,839 (2013: $350,444).

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

Mr Cornish was the Chief Executive of the Australian and New Zealand Steel Manufacturing Business before he retired from the Company on 31 July 2011. No payments other than statutory entitlements were paid. The Company entered into an agreement with Mr Cornish for the provision of consultancy services for the period of up to two years which expired on 31 August 2013 and was not renewed. As part of this arrangement Mr Cornish was a member of the Boards of North Star BlueScope Steel and Tata BlueScope Steel. He also represented BlueScope on the Executive of AI Group and provides safety leadership across our operations, particularly in Asia. Mr Cornish was paid $90,000 for the period ending 30 June 2014 (2013 $540,000).

10.0 REMUNERATION PEER GROUP

The current remuneration peer group is listed below.

Company	Market Cap ($m)[1]	Revenue ($m)[2]	Employees[2]	Geographic complexity[3]
Brambles Ltd	14,363	6,507	18,037	A
Amcor Ltd/Australia	12,586	12,612	35,354	A
Aurizon Holdings Ltd	10,644	3,763	8,000	C
Lend Lease Corp Ltd	7,571	12,431	16,536	A
Orica Ltd	7,226	6,742	14,000	A
Leighton Holdings Ltd	6,676	20,368	55,990	A
Caltex Australia Ltd	5,824	24,968	3,638	C
Fletcher Building Ltd	5,627	8,873	18,830	B
Asciano Group	5,491	3,757	8,891	C
Incitec Pivot Ltd	4,770	3,442	5,286	A
WorleyParsons Ltd	4,239	8,825	28,800	A
Boral Ltd	4,109	5,260	12,610	B
Toll Holdings Ltd	3,657	8,795	42,500	B
Qantas Airways Ltd	2,767	15,902	33,265	A
Adelaide Brighton Ltd	2,210	1,231	1,300	C
Downer EDI Ltd	1,968	8,375	17,586	B
CSR Ltd	1,766	1,802	5,492	B
Arrium Ltd	1,086	6,175	10,078	B
Transfield Services Ltd	556	3,452	9,138	B
Median	**4,770**	**6,742**	**14,000**	
BlueScope Steel Ltd	**3,029**	**7,485**	**17,063**	**A[D]**

Notes:

1. Market capitalisation is at close of business on 30 June 2014.

2. Revenue and employee numbers are based on the latest annual reports to 30 June 2013.

3. Geographic complexity:

A. Significant operations in more than 10 countries.

B. Significant operations in 10 or fewer countries.

C. Operations in Australia only.

D. Approx. 50% of BSL employees are in Australia and NZ, 25% in Asia and 25% in North America.

OTHER MATTERS

ENVIRONMENTAL REGULATION

BlueScope's Australian manufacturing operations are subject to significant environmental regulation. Throughout its Australian operations in the 12 months to 30 June 2014, the Company notified relevant authorities of 17 incidents resulting in statutory non-compliances and received two minor Penalty Infringement Notices from the NSW Environment Protection Authority (NSW EPA). The Company also notified two sites at Port Kembla containing legacy contamination to NSW EPA in August 2013, in accordance with legislative requirements. In addition, the former stainless steel manufacturing site at Port Kembla, which had been previously notified to NSW EPA as containing legacy contamination, was declared 'significantly contaminated' by NSW EPA during the period. BlueScope has commenced remediation and is working with NSW EPA to develop a voluntary management proposal for this site. During the period there were no serious environmental incidents or prosecutions.

BlueScope submits annual reports to the Department of the Environment, which detail greenhouse gas emissions and energy consumption and production under the National Greenhouse Gas and Energy Reporting scheme, and substance emissions to air and water for the National Pollutant Inventory. Additionally, under the Department of Industry's Energy Efficiency Opportunities Program, BlueScope assesses its energy efficiency and reports publicly and to the government on its performance.

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

INDEMNIFICATION AND INSURANCE OF OFFICERS

BlueScope Steel has entered into directors' and officers' insurance policies and paid an insurance premium in respect of the insurance policies, to the extent permitted by the *Corporations Act 2001*. The insurance policies cover former Directors of BlueScope Steel along with the current Directors of BlueScope Steel (listed on page 20). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

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

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

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

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

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

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit. No payment has been made to indemnify Ernst & Young during or since the financial year.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

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

ROUNDING OF AMOUNTS

BlueScope Steel is a company of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars, or in certain cases, the nearest thousand or the nearest dollar.

AUDITOR INDEPENDENCE DECLARATION

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

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The Auditor's Independence Declaration for the year ended 30 June 2014 has been received from Ernst & Young. This is set out at page 51 of the Directors' Report. Ernst & Young provided the following non-audit services during the year ended 30 June 2014:

$86,652 for taxation compliance services.

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

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

G J KRAEHE AO
Chairman

Paul O'Malley

P F O'MALLEY
Managing Director and Chief Executive Officer

Melbourne
25 August 2014

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
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Auditor's Independence Declaration to the Directors of BlueScope Steel Limited

In relation to our audit of the financial report of BlueScope Steel Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
25 August 2014

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Liability limited by a scheme approved under Professional Standards Legislation

CORPORATE GOVERNANCE STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

INTRODUCTION

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

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

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

PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

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

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

As part of the Board's oversight of senior management, all Company executives are subject to annual performance review and goal planning. This involves evaluation of the executives by their immediate superior. Each executive is assessed against a range of criteria, including achievement of goals relating to financial performance, operational excellence, safety, and delivery of strategic projects and initiatives. All senior executives participated in a performance evaluation on this basis during the year ended 30 June 2014.

PRINCIPLE 2 – STRUCTURE THE BOARD TO ADD VALUE

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

Pages 20 to 22 of the Directors' Report set out the qualifications, expertise and experience of each Director in office at the date of the Directors' Report, and their period of office.

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

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

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

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

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

Board renewal and succession planning is an ongoing process at BlueScope and in recent years has seen the appointment of Ewen Crouch, Lloyd Jones, John Bevan and Rebecca Dee-Bradbury to the Board following the retirement in 2013 of Tan Yam Pin, Diane Grady and Kevin McCann. The Nomination Committee has identified the key skills and experience desirable on the Board as including financial/risk management, legal/governance, people management and operations management expertise; experience in the building and construction and steel or other heavy manufacturing industries; strategic and M&A/transactional experience; and experience with customers. The Board also strives for both gender and geographic diversity within these skill sets. Based on the assessment by the Nomination Committee of the particular skill profile for new appointees, a sub-committee is appointed to engage a search firm to assist in identifying appropriate candidates for consideration by the Board from a broad pool of possible candidates.

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

All Non-Executive Directors are members of the Nomination Committee. Their attendance at meetings of the Committee are set out on page 23 of the Directors' Report.

The Board reviews its effectiveness and the performance of each Director regularly.

The Board completed an internal review of its effectiveness in August 2014 involving distribution of a questionnaire to Directors and senior management. Confidential responses were collated by the Company's auditors and discussed by the Board. The review concluded that the Board is functioning well with an appropriate mix of skills and experience and that an effective working relationship exists among Board members and between Board and management.

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

PRINCIPLE 3 – PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Business Conduct

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

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

Diversity

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

Our aim is to foster an inclusive environment and culture that values difference and thereby attracts, encourages, and develops a talented, diverse, and capable workforce. The key principles underpinning our approach to diversity, along with requirements for setting objectives, reporting, and monitoring, can be found in our Diversity Policy on the Company's website.

Our diversity priorities are to continue to improve gender diversity in both our overall population and in management positions, increase diversity of perspective on leadership teams and build on the success we have achieved to date in reducing past reliance on Australian expatriates in overseas management teams.

The following table shows the percentage of women employed in the workforce as at 30 June 2014:

Board	20%
Executives[1]	14%
Salaried	28%
Wages workforce	3%
Total BlueScope population	17%

Although contraction of the business over a number of years has meant limited opportunities to improve gender diversity through recruitment, in the past five years female representation at Executive levels has increased from 8 per cent to 14 per cent. With the appointment of an additional female Director in the last twelve months, female Board representation has increased from 13 per cent to 20 per cent.

The Board annually reviews and approves objectives for achieving diversity, and assesses progress in achieving these.

Consistent with the objective set out in the 2013 Corporate Governance Statement, the BlueScope Diversity Council (chaired by the MD and CEO) monitors progress against diversity action plans in key focus areas, reporting the following developments:

[1] Executive group includes all members of BlueScope's Executive Leadership Team and all executives that have strategic and/or full operational leadership of a business or group-wide function.

- *Attraction and recruitment of females to the business:* During the year, female representation at Board and Executive levels improved. In addition, 24 per cent of all appointments to the Company were female, a greater proportion than the overall percentage of women in BlueScope.
- *Equal opportunity for and representation of females into learning and development programs:* BlueScope provides development programs for graduates through to executives. The process for appointing delegates on these programs is designed to ensure equal opportunity for, and representation of, females across all programs. During the year, the percentage of female delegates on these programs was 31 per cent, which is greater than the proportion of females employed in the graduate to executive population.
- *Pay equity at all levels in our workforce:* BlueScope reviews gender pay equity on an annual basis. Interventions put in place have led to equal pay in Asia and pay equity within 5 per cent of the male average in all other regions. Where there are differences, the main reasons relate to 'time in role' and compensation for shift work performed in some manufacturing areas with significant male representation.

Our key gender diversity objective for the year ending 30 June 2015 is to continue to recruit and develop females in the business.
Our broader diversity goals continue to focus on gender, cross-functional and cross-business appointments, and regional talent development.

PRINCIPLE 4 – SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

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

The composition and structure of the Audit and Risk Committee complies with the requirements of the ASX Principles and Recommendations. The names of the members of the Audit and Risk Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report. The qualifications of the members are set out on pages 20 to 22 of the Directors' Report.

PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

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

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

PRINCIPLE 6 – RESPECT THE RIGHTS OF SHAREHOLDERS

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

PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

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

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

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

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

PRINCIPLE 8 – REMUNERATE FAIRLY AND RESPONSIBLY

The Remuneration Report (on pages 26 to 48 of the Directors' Report) sets out details of the Company's policy and practices for remunerating Directors, key management personnel and senior executives.

The names of the members of the Remuneration and Organisation Committee and their attendance at meetings of the Committee are set out on page 23 of the Directors' Report.

Information relating to:

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

is also available on the Company's website.

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

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

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

CORPORATE DIRECTORY

Directors	G J Kraehe AO *Chairman* R J McNeilly *Deputy Chairman* P F O'Malley *Managing Director and Chief Executive Officer* D B Grollo K A Dean P Bingham-Hall E G W Crouch AM L H Jones J A Bevan R P Dee-Bradbury
Secretary	M G Barron
Executive Leadership Team	P F O'Malley *Managing Director and Chief Executive Officer* M G Barron *Chief Legal Officer and Company Secretary* I R Cummin *Executive General Manager, People and Organisation Performance* S Dayal *Chief Executive, Building Products* S R Elias *Chief Financial Officer* P Finan *President, Global Building Solutions* R Moore *Chief Executive, Global Building Solutions* M R Vassella *Chief Executive, BlueScope Australia and New Zealand*
Notice of Annual General Meeting	The Annual General Meeting of BlueScope Steel Limited will be held at the Melbourne Convention and Exhibition Centre, 2 Clarendon Street, Southbank, Victoria at 2.00pm on Thursday 13 November 2014.
Registered Office	Level 11, 120 Collins Street, Melbourne, Victoria 3000 Telephone: +61 3 9666 4000 Fax: +61 3 9666 4111 Email: bluescopesteel@linkmarketservices.com.au Postal Address: PO Box 18207, Collins Street East, Melbourne, Victoria 8003
Share Registrar	Link Market Services Limited Level 12, 680 George Street, Sydney, NSW 2000 Postal address: Locked Bag A14, Sydney South, NSW 1235 Telephone (within Australia): 1300 855 998 Telephone (outside Australia): +61 1300 855 998 Fax: +61 2 9287 0303 Email: bluescopesteel@linkmarketservices.com.au
Auditor	Ernst & Young 8 Exhibition Street, Melbourne, Victoria 3000
Securities Exchange	BlueScope Steel Limited shares are quoted on the Australian Securities Exchange (ASX code: BSL)
Website Address	www.bluescope.com

BlueScope Steel Limited ABN 16 000 011 058
Annual Financial Report - 30 June 2014

BlueScope Steel Limited
Statement of comprehensive income
For the year ended 30 June 2014

	Notes	Consolidated 2014 $M	Restated* 2013 $M
Revenue from continuing operations	5	**8,006.8**	7,290.3
Other income	6	**165.0**	198.4
Changes in inventories of finished goods and work in progress		**29.5**	(14.0)
Raw materials and consumables used		**(4,582.6)**	(4,248.4)
Employee benefits expense		**(1,579.9)**	(1,380.9)
Depreciation and amortisation expense	7	**(327.6)**	(315.6)
Net impairment charge of non-current assets	7	**(2.3)**	(2.6)
Direct carbon emission expense	7	**(135.2)**	(138.8)
Freight on external despatches		**(499.9)**	(441.8)
External services		**(842.7)**	(830.6)
Restructuring costs	7	**(36.0)**	(3.6)
Finance costs	7	**(68.2)**	(82.9)
Other expenses		**(191.1)**	(144.4)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method	46, 47	**102.3**	59.1
Profit (loss) before income tax		**38.1**	(55.8)
Income tax (expense) benefit	8	**(78.0)**	(31.5)
Loss from continuing operations		**(39.9)**	(87.3)
Profit (loss) from discontinued operations after income tax	9	**(0.3)**	1.7
Net loss for the year		**(40.2)**	(85.6)
Items that may be reclassified to profit or loss			
Gain (loss) on cash flow hedges taken to equity	35(a)	**0.3**	(2.4)
(Gain) loss on cash flow hedges transferred to inventory	35(a)	**(0.6)**	1.1
- Income tax (expense) benefit	8(c)	**0.1**	0.4
Net gain (loss) on hedges of net investments in foreign subsidiaries	35(a)	**(3.8)**	17.6
- Income tax (expense) benefit	8(c)	**0.1**	0.1
Exchange differences on translation of foreign operations attributable to BlueScope Steel Limited	35(a)	**36.1**	73.0
Items that will not be reclassified to profit or loss			
Actuarial gain (loss) on defined benefit superannuation plans	35(b)	**58.2**	224.4
- Income tax (expense) benefit	8(c)	**(10.0)**	(46.9)
Exchange differences on translation of foreign operations attributable to non-controlling interests		**(13.5)**	39.4
Other comprehensive income (loss) for the year		**66.9**	306.7
Total comprehensive income (loss) for the year		**26.7**	221.1
Profit (loss) is attributable to:			
Owners of BlueScope Steel Limited		**(82.4)**	(107.1)
Non-controlling interests		**42.2**	21.5
		(40.2)	(85.6)
Total comprehensive income (loss) for the year is attributable to:			
Owners of BlueScope Steel Limited		**(3.7)**	160.2
Non-controlling interests		**30.4**	60.9
		26.7	221.1

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

	Notes	**2014 Cents**	Restated* 2013 Cents
Earnings per share for loss from continuing operations attributable to the ordinary equity holders of the Company			
Basic loss per share	50	**(14.8)**	(19.4)
Diluted loss per share	50	**(14.8)**	(19.4)
Earnings per share for loss attributable to the ordinary equity holders of the Company			
Basic loss per share	50	**(14.8)**	(19.1)
Diluted loss per share	50	**(14.8)**	(19.1)

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

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

BlueScope Steel Limited
Statement of financial position
As at 30 June 2014

	Notes	Consolidated 2014 $M	2013 $M
ASSETS			
Current assets			
Cash and cash equivalents	10	**466.6**	513.7
Receivables	11	**1,062.5**	952.3
Inventories	12	**1,503.1**	1,363.5
Derivative financial instruments	14	**-**	0.4
Intangible assets	13	**35.9**	38.8
Other	15	**59.8**	64.1
		3,127.9	2,932.8
Non-current assets classified as held for sale		**3.7**	8.5
Total current assets		**3,131.6**	2,941.3
Non-current assets			
Receivables	16	**46.1**	145.4
Inventories	17	**68.1**	71.2
Investments accounted for using the equity method	18	**138.7**	139.1
Property, plant and equipment	19	**3,515.3**	3,419.6
Deferred tax assets	20	**162.6**	153.8
Intangible assets	21	**448.7**	457.6
Other	22	**7.8**	2.8
Total non-current assets		**4,387.3**	4,389.5
Total assets		**7,518.9**	7,330.8
LIABILITIES			
Current liabilities			
Payables	23	**1,218.6**	1,031.7
Borrowings	24	**40.5**	8.1
Current tax liabilities	25	**9.7**	8.7
Provisions	26	**508.7**	441.8
Deferred income	27	**150.0**	177.2
Derivative financial instruments	14	**2.2**	1.3
Total current liabilities		**1,929.7**	1,668.8
Non-current liabilities			
Payables	28	**41.8**	8.3
Borrowings	29	**687.7**	654.0
Deferred tax liabilities	30	**31.2**	13.7
Provisions	31	**205.8**	222.0
Retirement benefit obligations	32	**162.6**	217.0
Deferred income	33	**3.4**	86.7
Total non-current liabilities		**1,132.5**	1,201.7
Total liabilities		**3,062.2**	2,870.5
Net assets		**4,456.7**	4,460.3
EQUITY			
Contributed equity	34	**4,659.4**	4,650.1
Reserves	35(a)	**73.8**	37.5
Retained profits (loss)	35(b)	**(671.7)**	(634.7)
Parent entity interest		**4,061.5**	4,052.9
Non-controlling interest		**395.2**	407.4
Total equity		**4,456.7**	4,460.3

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

Consolidated - 30 June 2014	Notes	**Contributed equity $M**	**Reserves $M**	**Retained earnings $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2013		**4,650.1**	**37.5**	**(634.7)**	**407.4**	**4,460.3**
Profit (loss) for the period		-	-	(82.4)	42.2	(40.2)
Other comprehensive income (loss)		-	32.2	46.5	(11.8)	66.9
Total comprehensive loss for the year		**-**	**32.2**	**(35.9)**	**30.4**	**26.7**
Transactions with owners in their capacity as owners:						
Shares issued						
- FY12 KMP STI share awards	34(c), 34(e)	1.3	-	-	-	1.3
- Retention share awards - Treasury shares	34(c), 34(e), 35(a)	8.0	(8.0)	-	-	-
Share-based payment expense	35(a)	-	14.4	-	-	14.4
Dividends declared		-	-	-	(42.9)	(42.9)
Transactions with non-controlling interests	43(b)	-	(3.3)	-	0.3	(3.0)
Other		-	1.0	(1.1)	-	(0.1)
		9.3	4.1	(1.1)	(42.6)	(30.3)
Balance at 30 June 2014		**4,659.4**	**73.8**	**(671.7)**	**395.2**	**4,456.7**

Consolidated - 30 June 2013	Notes	**Contributed equity $M**	**Reserves $M**	**Restated* Retained earnings $M**	**Non-controlling interests $M**	**Total $M**
Balance at 1 July 2012		**4,650.1**	**(267.0)**	**(703.8)**	**99.5**	**3,778.8**
Profit (loss) for the period		-	-	(107.1)	21.5	(85.6)
Other comprehensive income (loss)		-	89.8	177.5	39.4	306.7
Total comprehensive loss for the year		**-**	**89.8**	**70.4**	**60.9**	**221.1**
Share-based payment expense	35(a)	-	11.5	-	-	11.5
Dividends declared		-	-	-	(3.4)	(3.4)
Transactions with non-controlling interests	43(b)	-	192.6	-	281.8	474.4
Transfer of exchange translation reserve		-	31.9	-	(31.9)	-
Controlled entity acquisition reserve	43(b)	-	(21.9)	-	-	(21.9)
Other		-	0.6	(1.3)	0.5	(0.2)
		-	214.7	(1.3)	247.0	460.4
Balance at 30 June 2013		**4,650.1**	**37.5**	**(634.7)**	**407.4**	**4,460.3**

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

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

	Notes	Consolidated 2014 $M	2013 $M
Cash flows from operating activities			
Receipts from customers		**8,328.2**	7,729.4
Payments to suppliers and employees		**(7,953.6)**	(7,493.7)
		374.6	235.7
Associate dividends received		**3.3**	3.6
Joint venture partnership distributions received		**95.1**	55.0
Interest received		**3.7**	3.5
Other revenue		**26.4**	18.6
Finance costs paid		**(55.6)**	(91.0)
Income taxes (paid)/received		**(40.4)**	(64.4)
Net cash (outflow) inflow from operating activities	48	**407.1**	161.0
Cash flows from investing activities			
Payments for property, plant and equipment		**(297.8)**	(293.2)
Payments for intangibles		**(8.3)**	(9.6)
Payments for investments in joint venture partnerships		**(1.6)**	(15.4)
Payments for purchase of business assets, net of cash acquired	44(b)	**(153.6)**	-
Payments for disposal of subsidiary	9(c)	**-**	(38.5)
Proceeds from sale of property, plant and equipment		**23.4**	7.7
Proceeds from sale of associate		**-**	2.0
Proceeds from sale of intangibles		**-**	37.5
Net cash (outflow) inflow from investing activities		**(437.9)**	(309.5)
Cash flows from financing activities			
Proceeds from borrowings		**1,365.3**	9,518.9
Repayment of borrowings		**(1,338.5)**	(9,525.0)
Dividends paid to non-controlling interests in subsidiaries		**(42.9)**	(3.4)
Transactions with non-controlling interests	43(b)	**1.6**	438.9
Net cash inflow (outflow) from financing activities		**(14.5)**	429.4
Net increase (decrease) in cash and cash equivalents		**(45.3)**	280.9
Cash and cash equivalents at the beginning of the financial year		**512.9**	212.6
Effects of exchange rate changes on cash and cash equivalents		**(1.7)**	19.4
Cash and cash equivalents at end of financial year	10	**465.9**	512.9
Financing arrangements	29(b)		
Non-cash investing and financing activities	49		

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

Contents of the notes to the consolidated financial statements

1 Summary of significant accounting policies

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

(a) Basis of preparation

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

(i) Compliance with IFRS

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

(ii) New and amended standards adopted by the Group

The following standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2013:

- AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements,* AASB 12 *Disclosure of Interests in Other Entities,* AASB 128 *Investments in Associates and Joint Ventures*, AASB 127 *Separate Financial Statements* and AASB 2011-7 *Amendments to Australian Accounting Standards* arising from the *Consolidation and Joint Arrangements Standards;*
- AASB 2012-10 *Amendments to Australian Accounting Standards* - Transition Guidance and other Amendments which provides an exemption from the requirement to disclose the impact of the change in accounting policy on the current period;
- AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards* arising from AASB 13;
- AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (September 2011);
- AASB 2012-5 *Amendments to Australian Accounting Standards* arising from *Annual Improvements 2009-2011 Cycle;*
- AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements ; and*
- AASB 2012-2 *Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities*

With the exception of the below standards, the above standards did not impact the consolidated financial statements and disclosures of the Group.

AASB 119 Employee Benefits

The adoption of the revised AASB 119 *Employee Benefits* resulted in a retrospective adjustment made to the amounts recognised in the financial statements of the comparative period. The interest cost and expected return on plan assets used in the previous version of AASB 119 have been replaced with a net interest amount, which is calculated by applying the discount rate to the net defined benefit liability or asset at the start of each annual reporting period. In view of this change and as per the requirements of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, $23.0M post-tax charge ($28.6M pre-tax) was retrospectively charged to the Group's profit or loss for the year ended 30 June 2013 with a corresponding other comprehensive income (OCI) gain. There was no impact on the overall equity of the Group. The current year impact on the profit or loss from these changes is materially the same as the comparative adjustments that have been restated.

AASB 119 also requires additional disclosures of sensitivity analysis showing how the defined benefit obligation would be affected by reasonably possible changes in actuarial assumptions. These have been provided in note 32.

1 Summary of significant accounting policies (continued)

Impact on profit or loss	**Prior year restatement**		
		(Increase)/ Decrease	
	June 2013 (Previously stated) $M	**Employee benefits $M**	**June 2013 (Restated) $M**
Loss before income tax	(27.2)	(28.6)	(55.8)
Income tax (expense) benefit	(37.1)	5.6	(31.5)
Net loss from continuing operations	**(64.3)**	**(23.0)**	**(87.3)**
Profit from discontinued operations after income tax	1.7	-	1.7
Net loss for the year	**(62.6)**	**(23.0)**	**(85.6)**

	Prior year restatement		
		Increase/ (Decrease)	
Other comprehensive income (extract)	**June 2013 (Previously stated) $M**	**Employee benefits $M**	**June 2013 (Restated) $M**
Actuarial gain on defined benefit superannuation plans	195.8	28.6	224.4
Income tax expense	(41.3)	(5.6)	(46.9)
Other comprehensive income for the period	**154.5**	**23.0**	**177.5**
Total comprehensive income for the period	**221.1**	**-**	**221.1**

	Prior year restatement		
Basic and diluted (loss) per share (extract)	**June 2013 (Previously stated) Cents**	**(Increase)/ Decrease**	**June 2013 (Restated) Cents**
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company	(15.4)	(4.0)	(19.4)
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	(15.4)	(4.0)	(19.4)

AASB 119 *Employee Benefits* revised standard also required the Group to discount to present value annual leave which is not expected to be settled within 12 months. A review of the change in measurement of these obligations resulted in no material impact for the Group and therefore no restatement has been made.

1 Summary of significant accounting policies (continued)

AASB 12 Disclosure of Interests in Other Entities

AASB 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in AASB 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries. The adoption of this amended standard has resulted in additional disclosures around material non-controlling interests in subsidiaries and joint ventures for the Group as disclosed in note 43 and 47.

AASB 13 Fair Value Measurement

AASB 13 Fair Value Measurement aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Application of AASB 13 has not materially impacted the fair value measurements of the Group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined as provided in note 37.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements*

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

(iii) Early adoption of new Accounting Standards

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

(iv) Historical cost convention

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

(v) Critical accounting estimates

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

(b) New Accounting Standards and interpretations

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2014 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2018 based on the proposed AASB 9 amendments)

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets.The standard is not applicable until 1 January 2018 but is available for early adoption. When adopted, the standard will impact accounting for available - for-sale financial assets, as AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading.

1 Summary of significant accounting policies (continued)

The main changes to the classification and measurement of financial assets are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
  (i) The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
  (ii) The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss.

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

(ii) AASB 2012-3 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities (effective from 1 July 2014)

AASB 2012-3 principally amends AASB 7 *Financial Instruments: Disclosures* to require disclosure of the effect or potential effect of netting arrangements. This includes rights of set-off associated with the entity's recognised financial assets and liabilities on the entity's financial position, when the offsetting criteria of AASB 132 are not all met. The Group does not expect any material change in the disclosures in the financial statements as a result of this amendment.

(iii) AASB 2014-1 Amendments to Australian Accounting Standards - Part A - Annual Improvements to IFRSs 2011-2013 Cycle (effective 1 July 2014)

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to *IFRSs 2010-2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle.*

Annual Improvements to IFRSs 2010-2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

These amendments are not expected to impact the financial statements.

1 Summary of significant accounting policies (continued)

(iv) IFRS 15 Revenue from Contracts with Customers

The IASB issued IFRS 15 *Revenue from Contracts with Customers*, which the AASB intends to issue in due course as AASB 15. AASB 15 will replace AASB 111 *Construction Contracts*, AASB 118 *Revenue and related AASB Interpretations* (Interpretation 13 *Customer Loyalty Programmes*, Interpretation 15 *Agreements for the Construction of Real Estate*, Interpretations 18 *Transfers of Assets from Customers* and Interpretation 131 *Revenue-Barter Transactions Involving Advertising Services*).

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

(1) Identify the contract(s) with a customer
(2) Identify the performance obligations in the contract
(3) Determine the transaction price
(4) Allocate the transaction price to the performance obligations in the contract
(5) Recognise revenue when (or as) the entity satisfies a performance obligation

The standard, once issued, is not expected to be effective until 1 July 2017, however the group is in the process of analysing the impact of the standard.

(c) Parent entity financial information

The financial information for the parent entity BlueScope Steel Limited, disclosed in note 52 has been prepared on the same basis as the consolidated financial statements,except as set out below.

(i) Investments in subsidiaries

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

(ii) Tax consolidation legislation

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

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

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

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the Group. Details about the tax funding agreement are disclosed in note 52.

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

(d) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('Company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. BlueScope Steel Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

1 Summary of significant accounting policies (continued)

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

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

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

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

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting, after initially being recognised at cost. The Group's investments in associates include goodwill (net of any accumulated impairment loss) identified on acquisition (refer to note 46).

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

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

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

(iii) Joint arrangements

Joint arrangements are classified as joint operations or joint ventures based on the rights and obligations of the parties to the joint arrangements. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement ("joint operators") have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement ("joint venturers") have rights to the net assets of the arrangement.

The interests in joint ventures are accounted for in the 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 partnerships are recognised in profit or loss, and the share of post-acquisition movements in reserves is recognised in other comprehensive income. Details relating to partnerships are set out in note 47.

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

1 Summary of significant accounting policies (continued)

(iv) Changes in ownership interests

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

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

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

(e) Segment reporting

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

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(iii) Foreign operations

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

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

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

1 Summary of significant accounting policies (continued)

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

(g) Revenue recognition

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

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

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

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

(ii) Rendering of services

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

(iii) Interest income

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

(iv) Dividends

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

(h) Government grants

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

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

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

(i) Leases

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

1 Summary of significant accounting policies (continued)

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

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

(j) Business combinations

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

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

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

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

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

(k) Impairment of assets

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

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

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

1 Summary of significant accounting policies (continued)

(l) Cash and cash equivalents

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

(m) Trade receivables

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

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

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

(n) Income tax and other taxes

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

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

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

Other taxes

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

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

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

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

(o) Inventories

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

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

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

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

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

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

1 Summary of significant accounting policies (continued)

(q) Investments and other financial assets

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

(i) Financial assets at fair value through profit or loss

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (notes 11 and 16).

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which are classified as current assets.

(iv) Available-for-sale financial assets

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

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

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

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

1 Summary of significant accounting policies (continued)

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

Measurement

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

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

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

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

Impairment

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

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

(r) Derivatives and hedging activities

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

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

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

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 shareholder's equity are shown in note 35. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge

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

(ii) Cash flow hedges

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

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

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

(iii) Net investment hedges

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

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

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

(iv) Derivatives that do not qualify for hedge accounting

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

(s) Property, plant and equipment

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

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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

(t) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition 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 cash generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash generating units that are expected to benefit from the business combination in which the goodwill arose (note 21).

(ii) Patents, trademarks and other rights

Patents, trademarks and other rights are carried at cost less accumulated amortisation and impairment losses. Amortisation on patents, trademarks and other rights that have finite lives is calculated using the straight-line method to allocate the cost over their estimated useful lives. Amortisation is calculated on a straight line-basis generally ranging from 7 to 15 years.

(iii) Research and development

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

(iv) IT development software

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

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

1 Summary of significant accounting policies (continued)

(v) Customer relationships

Customer relationships and items of similar substance are only recognised as an intangible asset if they are acquired as part of a business combination and meet the recognition criteria as set out in the business combinations accounting policy (refer to note 1(j)). Amortisation is calculated on a straight-line basis generally ranging from 10 to 20 years.

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

(u) Trade and other payables

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

(v) Borrowings

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

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

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

(w) Borrowing costs

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

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

(x) Provisions

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

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

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

1 Summary of significant accounting policies (continued)

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

(y) Employee benefits

(i) Short-term obligations

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

(ii) Other long-term employee benefit obligations

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

(iii) Retirement benefit obligations

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

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

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

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

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

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

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

(iv) Share-based payments

The Group provides benefits in the form of share-based payment transactions to employees. Information relating to these schemes is set out in note 51 and the 30 June 2014 Remuneration Report.

1 Summary of significant accounting policies (continued)

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

- *General Employee Share Plans (GESP)*

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

- *Long Term Incentive Plans (LTIP)*

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

- *Retention share awards*

  The Board has awarded retention shares to limited number of executives throughout the Company, where their retention is particularly critical to the successful delivery of business strategy.

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

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

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

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

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

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

(v) Short Term Incentive plans (STI)

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

(vi) Employee benefit on-costs

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

1 Summary of significant accounting policies (continued)

(vii) Termination benefits

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

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

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

(z) Contributed equity

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

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

(aa) Dividends

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

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

(ab) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(ac) Restructuring costs

(i) Restructuring and the closure of an operation

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

(ii) Restructuring and the sale of an operation

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

1 Summary of significant accounting policies (continued)

(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(ac)(i).

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

(ad) Carbon Pricing Schemes

The Group is a participant in the New Zealand Government's uncapped Emissions Trading Scheme (ETS) which was implemented with effect from 1 July 2010.

The Australian Carbon Pricing Mechanism (CPM), which came into effect 1 July 2012, was abolished by the Australian Federal Government in July 2014.

There are currently no other countries in which the Group operates where an emissions trading scheme would require the Group to be a participant.

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

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

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

(ae) Rounding of amounts

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

2 Corporate information

The financial report of BlueScope Steel Limited for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the Directors on 25 August 2014.

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

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

3 Critical accounting estimates and judgements

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

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

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

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

Key assumptions

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

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

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

The key operating assumptions and their basis of estimation are:

- Raw material costs are based on commodity price forecasts derived from a range of external global commodity forecasters.
- Selling prices are management forecasts, taking into account commodity steel price forecasts derived from a range of external global commodity forecasters.
- Sales volumes are management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
- The strength of the Australian dollar relative to the US dollar is based on forecasts derived from a range of external banks. This assumption is relevant as foreign currency exchange rates, in particular the Australian dollar relative to the US dollar, impacts the competitiveness of domestically manufactured product relative to imported product.

Growth rate
The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2013: 2.5%). The growth rate represents a steady indexation rate which does not exceed the Company's expectations of the long-term average growth rate for the business in which each CGU operates.

3 Critical accounting estimates and judgements (continued)

Discount rate
The discount rate applied to the cash flow projections has been assessed to reflect the time value of money and the perceived risk profile of the industry in which each CGU operates. The post-tax discount rates range from 8.7% to 9.8% (2013: 8.7% to 10.0%).

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

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

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

Carbon Pricing Schemes
The estimated impact of the New Zealand Emissions Trading Scheme (ETS), which came into effect on 1 July 2010 has been included in determining cash flow projections. The Australian Carbon Pricing Mechanism (CPM), came into effect on 1 July 2012, however as the Australian Federal Government abolished the CPM in July 2014, it has not been included in determining cash flow projections.

The Australian Government has abolished the Steel Transformation Plan (STP), which was provided to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry in order to assist the industry to transform into an efficient and economically sustainable industry in a low carbon economy. The Group received a $100M advance in January 2012 which is not required to be repaid. However, the remaining $83M STP will no longer be received and has not been included in determining cash flow projections.

Sensitivity of carrying amounts
The carrying value of property,plant and equipment of the Group is most sensitive to cash forecasts for the Group’s largest CGU, Coated & Industrial Products Australia (CIPA) which are determined taking into account the key assumptions set out above.

Recognised forecasters estimate a continued strengthening of the US dollar relative to the Australian dollar and lowering of iron ore raw material costs relative to global commodity steel prices. The Company believes that the long term assumptions adopted are appropriate. However, to illustrate the sensitivity of these assumptions, if they were to differ such that the expected cash flows were to decrease materially, that is in the range of 5-10%, across the five year forecast period without the implementation of mitigation plans, this could lead to a future impairment write-down of approximately $150M - $250M.

(ii) Income taxes

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

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

(iii) Workers compensation

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

3 Critical accounting estimates and judgements (continued)

(iv) Product claims

Provision for claims is based on modelled data combining sales volumes with past experiences of repair and replacement levels in conjunction with any specifically identified product faults. The provision requires the use of assumptions in relation to the level of future claims made. Refer to notes 26 and 31 for amounts recognised for product claims.

(v) Share-based payment transactions

The Group measures the cost of equity settled transactions with employees by reference to the fair value of equity instruments at grant date. The fair value is determined by an external valuer using a Black-Scholes option pricing model. These calculations require assumptions to be made as per note 1(y)(iv) and illustrated in note 51.

(vi) Defined benefit plans

Various actuarial assumptions underpin the determination of the Group's pension obligations. These assumptions and the related carrying amounts are discussed in note 32.

(vii) Restructuring and redundancy provisions

Provisions for restructuring and redundancy are based on the Group's best estimate of the outflow of resources required to settle commitments made by the Group to those likely to be affected. Where the outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income statement in the period in which such determination is made. Refer to notes 26 and 31 for amounts recognised for restructuring and redundancy provisions.

(viii) Plant and machinery useful lives

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

(ix) Restoration and rehabilitation provisions

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

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

(x) Legal claims

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

4 Segment information

(a) Description of segments

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

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

Building Components & Distribution Australia
Building Components & Distribution Australia contains a network of service centres and distribution sites from which it forms a key supplier to the Australian building and construction industry, automotive sector, major white goods manufacturers and general manufacturers. The operating segment also holds the Lysaght steel solutions business, providing a range of LYSAGHT® branded products to the building and construction sector. The segment also includes the recently acquired Australian businesses: Orrcon, a pipe and tube manufacturer and distributor and Fielders, a building products business, from Hills Holdings Limited; and OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, and Adelaide from Arrium Limited. These acquisitions were effective 28 February 2014 and 1 April 2014 respectively.

New Zealand & Pacific Steel Products
The New Zealand Steel operation at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of approximately 0.6 million tonnes. The segment also includes facilities in New Caledonia, Fiji and Vanuatu, which manufacture and distribute the LYSAGHT® range of products. Additionally, the segment includes the Auckland based long products rolling mill and wire drawing facility acquired from Fletcher Steel Limited, effective 3 June 2014.

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

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

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

Hot Rolled Products North America
Hot Rolled Products North America includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini mill in the United States and a 47.5% shareholding in Castrip LLC. These businesses are jointly controlled and are therefore equity accounted in the Group financial statements.

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

4 Segment information (continued)

(b) Reportable segments

The segment information provided to the Managing Director and Chief Executive Officer for the reportable segments for the year ended 30 June 2014 is as follows:

30 June 2014	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	3,602.2	1,585.6	870.9	1,522.8	1,742.9	-	-	9,324.4
Intersegment revenue	(1,082.6)	(30.5)	(130.8)	(4.6)	(94.8)	-	-	(1,343.3)
Revenue from external customers	**2,519.6**	**1,555.1**	**740.1**	**1,518.2**	**1,648.1**	**-**	**-**	**7,981.1**
Segment EBIT	**(26.2)**	**(88.4)**	**73.6**	**51.4**	**81.4**	**101.6**	**(0.3)**	**193.1**
Depreciation and amortisation	170.2	15.9	52.8	37.4	51.1	-	-	327.4
Impairment (write-back) of non-current assets	8.5	52.0	-	(59.8)	-	1.6	-	2.3
Share of profit (loss) from associates and joint venture partnerships	-	-	4.2	0.7	(8.0)	105.4	-	102.3
Total segment assets	**3,083.6**	**692.1**	**923.9**	**1,135.3**	**1,124.2**	**103.3**	**0.2**	**7,062.6**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	9.2	1.4	24.8	103.3	-	138.7
Additions to non-current assets (other than financial assets and deferred tax)	170.8	12.8	151.6	24.9	48.3	-	-	408.4
Total segment liabilities	**882.9**	**357.3**	**278.3**	**546.8**	**279.3**	**-**	**3.9**	**2,348.5**

30 June 2013	Coated & Industrial Products Australia $M	Building Components & Distribution Australia $M	New Zealand & Pacific Steel Products $M	Global Building Solutions $M	Building Products ASEAN, North America & India $M	Hot Rolled Products North America $M	Discontinued Operations $M	Total $M
Total segment sales revenue	3,349.4	1,375.6	681.0	1,363.3	1,635.5	-	-	8,404.8
Intersegment revenue	(897.1)	(32.9)	(111.0)	(4.7)	(84.9)	-	-	(1,130.6)
Revenue from external customers	**2,452.3**	**1,342.7**	**570.0**	**1,358.6**	**1,550.6**	**-**	**-**	**7,274.2**
Segment EBIT (restated*)	**(54.9)**	**(31.0)**	**33.8**	**10.0**	**70.5**	**66.7**	**(0.4)**	**94.7**
Depreciation and amortisation	170.7	17.3	47.0	32.8	47.7	-	-	315.5
Impairment (write-back) of non-current assets	-	-	-	0.5	-	2.1	-	2.6
Share of profit (loss) from associates and joint venture partnerships	-	-	2.4	0.4	(13.3)	69.6	-	59.1
Total segment assets	**3,097.9**	**571.8**	**717.0**	**1,100.6**	**1,218.1**	**95.3**	**0.2**	**6,800.9**
Total assets includes:								
Investments in associates and joint venture partnerships	-	-	7.1	3.7	33.3	95.0	-	139.1
Additions to non-current assets (other than financial assets and deferred tax)	145.4	10.9	84.6	67.7	31.2	-	-	339.8
Total segment liabilities	**1,030.3**	**249.3**	**250.2**	**504.2**	**282.1**	**-**	**4.2**	**2,320.3**

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

4 Segment information (continued)

(c) Geographical information

	Segment revenues from sales to external customers		Non-current assets	
	2014 $M	2013 $M	**2014 $M**	2013 $M
Australia	**3,705.6**	3,454.2	**2,140.2**	2,348.6
New Zealand	**376.5**	312.7	**617.7**	469.1
Asia	**1,733.2**	1,704.0	**795.7**	716.0
North America	**1,538.2**	1,331.8	**638.1**	669.9
Other	**627.6**	471.5	**11.8**	10.9
	7,981.1	7,274.2	**4,203.5**	4,214.5

Segment revenues are allocated based on the country in which the customer is located. Segment non-current assets exclude tax assets and are allocated based on where the assets are located.

(d) Other segment information

(i) Segment revenue

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

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

	Notes	Consolidated **2014 $M**	2013 $M
Total segment revenue		**9,324.4**	8,404.8
Intersegment eliminations		**(1,343.3)**	(1,130.6)
Other revenue	5	**25.7**	16.1
Total revenue from continuing operations		**8,006.8**	7,290.3

(ii) Segment EBIT

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

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

	Consolidated **2014 $M**	Restated* 2013 $M
Total segment EBIT	**193.1**	94.7
Intersegment eliminations	**(3.7)**	(5.9)
Interest income	**3.7**	3.6
Finance costs	**(68.2)**	(82.9)
EBIT (gain) loss attributable to discontinued operations	**0.3**	0.4
Corporate operations	**(87.1)**	(65.7)
Profit (loss) before income tax from continuing operations	**38.1**	(55.8)

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

4 Segment information (continued)

(iii) Segment assets

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

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

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

Reportable segment assets are reconciled to total assets as follows:

	Consolidated	
	2014	2013
	$M	$M
Segment assets	**7,062.6**	6,800.9
Intersegment eliminations	**(203.8)**	(187.4)
Unallocated:		
Deferred tax assets	**162.6**	153.8
Cash	**466.6**	513.7
Corporate operations	**9.7**	9.2
Tax receivables	**21.2**	40.6
Total assets as per the statement of financial position	**7,518.9**	7,330.8

(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, including deferred purchase price on business acquisitions, are not considered to be segment liabilities due to these being managed by the Group's centralised treasury function. As the segment performance is measured based on EBIT, tax liabilities, which by their nature do not impact EBIT, are not allocated to operating segments.

Reportable segment liabilities are reconciled to total liabilities as follows:

	Consolidated	
	2014	2013
	$M	$M
Segment liabilities	**2,348.5**	2,320.3
Intersegment eliminations	**(185.3)**	(172.4)
Unallocated:		
Current borrowings	**40.5**	8.1
Non-current borrowings	**687.7**	654.0
Current tax liabilities	**9.7**	8.7
Deferred tax liabilities	**31.2**	13.7
Accrued borrowing costs payable	**6.5**	5.0
Corporate operations	**41.2**	33.1
Deferred purchase price on business acquisition	**82.2**	-
Total liabilities as per the statement of financial position	**3,062.2**	2,870.5

5 Revenue

	Notes	Consolidated 2014 $M	2013 $M
Revenue from operating activities			
Sales revenue			
Sale of goods		**7,959.8**	7,252.2
Services		**21.3**	22.0
Total sales revenue		**7,981.1**	7,274.2
Other revenue			
Interest external		**3.6**	3.5
Interest related parties	42(d)	**0.1**	0.1
Royalties external		**2.5**	0.8
Rental external		**6.2**	6.4
Other		**13.3**	5.3
Total other revenue		**25.7**	16.1
Total revenue from ordinary activities		**8,006.8**	7,290.3

6 Other income

	Notes	Consolidated 2014 $M	2013 $M
Carbon permit income (a)	1(ad)	**148.8**	153.9
Government grant - other		**1.9**	4.8
Discount on acquisition (b)	44	**8.1**	-
Net gain on sale of non-current assets (c)		**3.7**	37.6
Proceeds from sale of held for sale non-current asset (d)		**1.3**	-
Insurance recoveries		**1.2**	0.6
Foreign exchange gains (net)	7	**-**	0.9
Litigation settlement		**-**	0.6
		165.0	198.4

(a) Carbon permit income
Carbon permit income arises from Carbon Pricing Scheme (CPS) permits granted by the New Zealand & Australian Governments. The Australian Carbon Tax, which came into effect 1 July 2012, was abolished by the Australian Federal Government, effective 1 July 2014.

(b) Discount on acquisition
On 28 February 2014, the Group acquired Orrcon and Fielders businesses from Hills Holdings Limited, which resulted in a gain of $8.1M recognised on acquisition. Refer to note 44 for further details on these acquisitions.

(c) Net gain on sale of non-current assets
Current year net gain on sale of non-current assets includes $11M gain on sale of land at Coated & Industrial Products Australia, offset by a $6.0M loss on the sale of the Buildings Products North America Fairfield facility.The $37.6M in other income for prior period includes a $37.5M profit on sale of a previously unrecognised intangible asset at Coated & Industrial Products Australia.

6 Other income (continued)

(d) Proceeds from sale of Western Port Hot Strip Mill (HSM) asset
The $1.3M gain to EBIT represents the non-refundable deposit received in relation to the HSM held for sale asset. The sale has not eventuated in 2014. Following a review of the likely recoverable value, the asset was fully impaired for $8.5M in June 2014, resulting in a net EBIT loss of $7.2M.

7 Expenses

	Notes	Consolidated 2014 $M	2013 $M
Loss before income tax includes the following specific expenses for continuing operations:			
Depreciation and amortisation			
Depreciation	19	**300.3**	287.6
Amortisation	21	**27.3**	28.0
Total depreciation and amortisation		**327.6**	315.6
Impairment losses - financial assets			
Loans and receivables			
- trade receivables		**9.3**	12.7
- reversal of impairment loss		**(2.5)**	(1.5)
Total impairment of financial assets	11(b)	**6.8**	11.2
Impairment of non-current assets			
BlueScope Distribution PP&E and other intangibles	21, 19	**52.0**	-
Coated & Industrial Products Australia PP&E (HSM)	19	**8.5**	-
Buildings Australia PP&E and other intangibles	21, 19	**8.3**	-
Buildings Australia goodwill	21	**7.3**	-
BlueScope Australia Water PP&E other intangibles	21	**5.6**	-
BlueScope Australia Water investment	46(a)	**2.8**	-
BlueScope Australia Water goodwill	21	**4.3**	-
Castrip joint venture	47(d)	**1.6**	2.1
BlueScope Water Solutions PP&E	19	**-**	0.5
Total impairment charge of non-current assets		**90.4**	2.6
Reversal of impairment loss - China Coated	19	**(88.1)**	-
Net impairment charge of non-current assets		**2.3**	2.6
Finance costs			
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss		**46.8**	54.9
Ancillary finance charges		**17.3**	23.3
Provisions: unwinding of discount	31	**4.7**	5.1
		68.8	83.3
Amount capitalised (a)		**(0.6)**	(0.4)
Finance costs expensed		**68.2**	82.9

7 Expenses (continued)

	Notes	**2014 $M**	2013 $M
Net foreign exchange losses		**9.6**	-
Rental expense relating to operating leases		**98.9**	88.8
Defined contribution superannuation expense		**73.5**	72.0
Research and development expense		**19.8**	25.6
Net restructure provision expense (b)	31	**36.0**	3.6
Employee redundancy provision expense (c)	26	**47.2**	21.1
Direct carbon emission expense (d)		**135.2**	138.8
Workers compensation insurance recoveries (e)		**-**	(36.6)

(a) Capitalised borrowing costs

The capitalisation rate used to determine the amount of borrowing costs to be capitalised was 4.1% (2013: 3.6%).

(b) Restructuring costs

Current period restructuring costs primarily includes $17.4M in Global Building Solutions in relation to our China operations and $12.2M in Coated and Industrial Products Australia associated with various business restructuring.

(c) Redundancy expense

At 30 June 2014, Coated and Industrial Products Australia (CIPA) recognised $33.0M in redundancy expense for manufacturing and overhead cost reduction initiatives. In addition, BlueScope Distribution raised a $6.0M provision in relation to integration synergies arising from the acquisition of OneSteel Sheet & Coil processing and distribution businesses in Sydney, Brisbane, and Adelaide from Arrium Limited in April 2014.

(d) Direct carbon emission expense

The $135.2M (2013: $138.8M) direct carbon emission expense (scope 1 direct emissions) excludes coal and gas purchases emission expense for our New Zealand Steel operation. New Zealand Steel's coal and gas direct emission expense are recorded within raw material and utility costs as these costs are passed through by our suppliers. The Carbon Pricing Schemes in Australia and New Zealand increase the costs of electricity (scope 2 direct emissions) and potentially the cost of other goods and services (scope 3 indirect emissions). The Scope 2 and Scope 3 carbon costs are not included in the direct carbon emission expense. The Australian Carbon Pricing Mechanism (CPM), which came into effect on 1 July 2012, was abolished by the Australian Federal Government, effective 1 July 2014 (refer to Note 1 (ad)).

(e) Workers compensation insurance recoveries

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

8 Income tax expense

(a) Income tax expense (benefit)

	Notes	Consolidated 2014 $M	Restated* 2013 $M
Current tax		**52.6**	50.2
Deferred tax		**36.0**	(6.9)
Adjustments for current tax of prior periods		**(10.6)**	(13.9)
		78.0	29.4
Income tax expense (benefit) is attributable to:			
Profit (loss) from continuing operations		**78.0**	31.5
Profit (loss) from discontinued operations		**-**	(2.1)
Aggregate income tax expense		**78.0**	29.4
Deferred income tax (benefit) expense included in income tax expense comprises:			
Decrease (increase) in deferred tax assets	20	**22.5**	(5.7)
(Decrease) increase in deferred tax liabilities	30	**13.5**	(1.3)
Investments in subsidiaries	35	**-**	0.1
		36.0	(6.9)

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

8 Income tax expense (continued)

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

	Notes	Consolidated 2014 $M	Consolidated Restated* 2013 $M
Profit (loss) from continuing operations before income tax expense		**38.1**	(55.8)
Profit (loss) from discontinuing operations before income tax expense	9	**(0.3)**	(0.4)
		37.8	(56.2)
Tax at the Australian tax rate of 30.0% (2013 - 30.0%)		**11.3**	(16.9)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
Depreciation and amortisation		**0.6**	0.5
Manufacturing credits		**(3.1)**	(1.9)
Research and development incentive		**(6.5)**	(5.9)
Withholding tax		**7.2**	0.9
Non-taxable (gains) losses		**(5.5)**	(7.2)
Share of net profits (losses) of associates		**2.0**	3.3
Entertainment		**1.7**	1.0
Share-based payments		**1.8**	2.0
Sundry items		**5.9**	4.6
		15.4	(19.6)
Difference in overseas tax rates		**(7.6)**	(5.6)
Adjustments for current tax of prior periods		**(10.6)**	(13.9)
Temporary differences and tax losses not recognised		**116.9**	84.8
Previously unrecognised tax losses now recouped to reduce current tax expense		**(37.9)**	(16.3)
Previously recognised temporary differences and tax losses now derecognised		**1.8**	-
Income tax expense (benefit)		**78.0**	29.4

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

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

	Notes	Consolidated 2014 $M	Consolidated Restated* 2013 $M
Cash flow hedges	35(a)	**(0.1)**	(0.4)
Actuarial gain (loss) on defined benefit superannuation plans	35(b)	**10.0**	46.9
Net (gain) loss on hedges of net investments in subsidiaries	35(a)	**(0.1)**	(0.1)
Total income tax expense (benefit) on items of other comprehensive income		**9.8**	46.4

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

8 Income tax expense (continued)

(d) Tax losses

	Consolidated	
	2014	2013
	$M	$M
Unused tax losses for which no deferred tax asset has been recognised	**2,310.8**	1,922.9
Potential tax benefit	**687.1**	569.6

As at 30 June 2014, $103.2M (2013:$55.8M) of Australian deferred tax assets generated during the period have been impaired with a $7.3M offsetting credit (2013: $20.2M credit) of this amount recognised directly against retained earnings due to actuarial gains from the Australian Defined Benefit Superannuation Plan. Australian Accounting Standards impose a stringent test for the recognition of a deferred tax asset arising from unused tax losses where there is a history of recent tax losses. The Company has deferred the recognition of any further tax asset for the Australian tax group until a return to taxable profits has been demonstrated. Australian tax losses are able to be carried forward indefinitely.

The Group also has unrecognised tax losses arising in Vietnam of $2.2M (2013: $2.6M) and China of $62.5M (2013: $79.2M) which are able to be offset against taxable profits within five years of being incurred. Other unrecognised tax losses can be carried forward indefinitely but can only be utilised in the same tax group in which they are generated.

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

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

(e) Unrecognised temporary differences

	Consolidated	
	2014	2013
	$M	$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	**345.7**	241.4
Tax effect of the above unrecognised temporary differences	**34.7**	37.3

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.

Unrecognised deferred tax assets for the Group totalling $115.5M (2013: $145.5M) in respect of temporary differences have not been recognised as they are not probable of realisation.

9 Discontinued operations

(a) Description

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

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

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

(b) Financial performance of discontinued operations

The results of discontinued operations are presented below.

	Consolidated					
	2014			2013		
	Metl-Span $M	**Lysaght Taiwan $M**	**Total $M**	**Metl-Span $M**	**Lysaght Taiwan $M**	**Total $M**
Revenue	**-**	**-**	**-**	-	-	-
Other income	**-**	**-**	**-**	-	-	-
Depreciation and amortisation	**-**	**-**	**-**	-	-	-
Other expenses excluding finance costs	**(0.3)**	**-**	**(0.3)**	(0.3)	(0.1)	(0.4)
Profit (loss) before income tax (i)	**(0.3)**	**-**	**(0.3)**	(0.3)	(0.1)	(0.4)
Income tax (expense) benefit (i)	**-**	**-**	**-**	2.1	-	2.1
Profit (loss) after income tax from discontinued operations	**(0.3)**	**-**	**(0.3)**	1.8	(0.1)	1.7

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

9 Discontinued operations (continued)

(c) Cash flow information - discontinued operations

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

	Consolidated					
	2014			2013		
	Metl-Span $M	**Lysaght Taiwan $M**	**Total $M**	**Metl-Span $M**	**Lysaght Taiwan $M**	**Total $M**
Net cash inflow (outflow) from operating activities	**(0.1)**	**(0.3)**	**(0.4)**	(0.1)	(0.1)	(0.2)
Net cash inflow (outflow) from investing activities (i)	**-**	**-**	**-**	(38.5)	-	(38.5)
Net cash inflow (outflow) from financing activities	**0.1**	**0.3**	**0.4**	-	-	-
Net increase in cash generated by the operation	**-**	**-**	**-**	(38.6)	(0.1)	(38.7)

(i) The prior period cash flows from the sale of Metl-Span on 22 June 2012 include the following:

	2013 $M
Asset selling expenses paid	(4.6)
Taxes paid	(33.9)
Net cash investing outflow	(38.5)

10 Current assets - Cash and cash equivalents

	Consolidated	
	2014 $M	2013 $M
Cash at bank and on hand	**463.8**	511.0
Deposits at call	**2.8**	2.7
	466.6	513.7

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

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

	Notes	Consolidated	
		2014 $M	2013 $M
Balances as above		**466.6**	513.7
Bank overdrafts	24	**(0.7)**	(0.8)
Balances per statement of cash flows		**465.9**	512.9

(b) Risk exposure

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

11 Current assets - Receivables

	Notes	Consolidated 2014 $M	2013 $M
Trade receivables (a) (c) (d)		**1,018.3**	903.9
Provision for impairment of receivables (b)		**(15.5)**	(21.8)
		1,002.8	882.1
Loans to related parties - associates	42(e)	**1.3**	1.2
Tax receivables		**-**	19.4
Other receivables		**58.4**	49.6
		1,062.5	952.3

(a) Trade receivables

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

(b) Provision for impairment of receivables

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

	Consolidated 2014 $M	2013 $M
Opening balance	**21.8**	15.1
Additional provision recognised	**9.3**	12.7
Amounts used during the period	**(14.5)**	(5.3)
Business acquisitions	**1.5**	-
Unutilised provision written back	**(2.5)**	(1.5)
Exchange fluctuations	**(0.1)**	0.8
	15.5	21.8

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

(c) Past due but not impaired

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

	Consolidated 2014 $M	2013 $M
Within 30 days	**111.2**	142.0
31 to 60 days	**29.2**	39.0
61 to 90 days	**7.1**	6.6
Over 90 days	**13.2**	25.2
	160.7	212.8

With respect to the trade receivables that are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 11(b) and 16(a) for impairment losses recognised during the period.

11 Current assets - Receivables (continued)

(d) Transferred financial assets which remain recognised

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

The receivables securitisation program does not qualify for derecognition as per AASB 139 *Financial Instruments: Recognition and measurement* as the Company has retained the credit risk associated with the trade receivables, by repurchase, and therefore the risks and rewards of the securitisation asset resides with the Group. As a result, the Group continues to recognise the trade receivables and has recognised a current borrowing for the consideration received for the transferred asset. The carrying amount of the trade receivables is $152.2M (2013: $142.5M) and the associated borrowing is $Nil (2013: $Nil).

(e) Risk exposure

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

12 Current assets - Inventories

	Consolidated	
	2014 **$M**	2013 $M
Raw materials and stores		
-at cost and net realisable value	**218.0**	233.6
Work in progress		
-at cost and net realisable value	**603.1**	526.8
Finished goods		
-at cost and net realisable value	**590.5**	520.9
Spares and other		
-at cost	**80.1**	80.0
Emission unit permits - held for trading		
- at cost	**11.4**	2.2
Total current inventories	**1,503.1**	1,363.5

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense at 30 June 2014 amounted to $37.8M (2013: $41.4M) for the Group. The expense has been included in 'raw materials and consumables used' in the profit or loss.

(b) Emission unit permits (EUs)

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

13 Current assets - Intangible assets

	Consolidated	
	2014	2013
	$M	$M
Emission unit permits - not held for trading	**35.9**	38.8

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

14 Derivative financial instruments

	Consolidated	
	2014	2013
	$M	$M
Current assets		
Forward foreign exchange contracts - cash flow hedges (a) (i)	**-**	0.4
Total current derivative financial instrument assets	**-**	0.4
Current liabilities		
Forward foreign exchange contracts - cash flow hedges (a) (i)	**1.0**	0.5
Forward electricity contracts - cash flow hedges (a) (ii)	**1.2**	0.8
Total current derivative financial instrument liabilities	**2.2**	1.3
	(2.2)	(0.9)

(a) Instruments used by the Group

(i) Forward foreign exchange contracts

As at 30 June 2014, a $1.0M (2013: $0.5M) derivative liability and $Nil derivative asset (2013: $0.4M) have been recorded in relation to the fair value of outstanding forward foreign exchange contracts relating to foreign currency sales and purchases (refer to note 37).

(ii) Forward exchange contracts - electricity cash flow hedges

The Group is party to derivative financial instruments in accordance with the Group's financial risk management policy (note 37) as a means of hedging exposure to electricity price fluctuations within New Zealand's steel making business. The derivative contract, representing a financial liability at fair value of $1.2M was undertaken in January 2014 and matures in December 2014 (2013: $0.8M).

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

(b) Risk exposures

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

15 Current assets - Other

	Consolidated 2014 $M	Consolidated 2013 $M
Deferred charges and prepayments	**59.8**	64.1

16 Non-current assets - Receivables

	Notes	Consolidated 2014 $M	Consolidated 2013 $M
STP government grant (i)	33	**-**	83.0
Tax receivable	8(d)	**21.2**	21.2
Workers compensation receivables	26(d)	**24.9**	41.2
		46.1	145.4

(i) Following the repeal of the Australian Carbon tax, the Australian Federal Government has also abolished the Steel Transformation Plan (STP), which was provided to encourage investment, innovation and competitiveness in the Australian steel manufacturing industry. As a result, the $83M future STP receivable and corresponding deferred income amount have been derecognised from the balance sheet as at 30 June 2014 (note 33).

(a) Impaired receivables and receivables past due

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

(b) Fair values

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

(c) Risk exposure

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

17 Non-current assets - Inventories

	Consolidated 2014 $M	Consolidated 2013 $M
Spares and other		
- at cost	**68.1**	71.2

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

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

	Notes	Consolidated 2014 $M	2013 $M
Investment in associates	46	**12.0**	12.3
Interest in joint venture partnerships	47	**126.7**	126.8
		138.7	139.1

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

19 Non-current assets - Property, plant and equipment

	Land and buildings $M	Plant, machinery and equipment $M	Total $M
At 1 July 2012			
Cost	1,155.5	8,932.1	10,087.6
Accumulated depreciation and impairment	(558.8)	(6,233.2)	(6,792.0)
Net book amount	596.7	2,698.9	3,295.6
Year ended 30 June 2013			
Opening net book amount	596.7	2,698.9	3,295.6
Additions	43.9	282.3	326.2
Depreciation charge	(26.4)	(261.2)	(287.6)
Disposals	(3.0)	(8.6)	(11.6)
Asset reclassifications within class	4.1	(4.1)	-
Asset reclassifications to computer software	-	(2.4)	(2.4)
Assets classified as held for sale (a)	-	(8.5)	(8.5)
Impairment (loss) write-back	-	(0.5)	(0.5)
Exchange variations/other	37.0	71.4	108.4
Closing net book amount	652.3	2,767.3	3,419.6
At 30 June 2013			
Cost	1,255.8	9,299.0	10,554.8
Accumulated depreciation and impairment	(603.5)	(6,531.7)	(7,135.2)
Net book amount	652.3	2,767.3	3,419.6

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

	Land and Buildings $M	Plant, machinery and equipment $M	Total $M
Year ended 30 June 2014			
Opening net book amount	652.3	2,767.3	3,419.6
Additions	9.3	333.3	342.6
Business acquisitions	20.3	5.1	25.4
Depreciation charge	(29.4)	(270.9)	(300.3)
Disposals	(4.5)	(15.0)	(19.5)
Asset reclassifications within class	7.6	(7.6)	-
Asset reclassifications to computer software	-	(1.1)	(1.1)
Assets reclassified from held for sale to PP&E (a)	-	8.5	8.5
Assets classified as held for sale (a)	(3.6)	(0.1)	(3.7)
Impairment (loss) write-back	28.9	(7.9)	21.0
Exchange variations/other	(4.7)	27.5	22.8
Closing net book amount	676.2	2,839.1	3,515.3
At 30 June 2014			
Cost	1,274.4	9,553.5	10,827.9
Accumulated depreciation and impairment	(598.2)	(6,714.4)	(7,312.6)
Net book amount	676.2	2,839.1	3,515.3

(a) Assets held for resale

The planned sale of the Western Port Hot Strip Mill (HSM) at Coated and Industrial Products Australia has not eventuated in 2014. Following a review of the likely recoverable value, the asset has been reclassified back to PP&E and fully impaired. In June 2014, Buildings North America had $3.7M of PP&E recognised as held for sale, associated with the San Marcos facility which closed in November 2013.

(b) Assets in the course of construction

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

	Consolidated	
	2014 $M	2013 $M
Land and buildings	**1.5**	46.2
Plant, machinery and equipment	**297.1**	204.6
Total assets in the course of construction	**298.6**	250.8

(c) Leased assets

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

	Consolidated	
	2014 $M	2013 $M
Leasehold assets		
Cost	**227.2**	184.8
Accumulation depreciation	**(51.4)**	(28.9)
Net book amount	**175.8**	155.9

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

(d) Non-current assets pledged as security

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

(e) Current period impairment charges/(write-back)

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

(i) BlueScope Distribution Australia
At 30 June 2014, within the Buildings Component and Distribution Australia segment, property, plant and equipment totalling $51.0M has been impaired in the BlueScope Distribution operating business due to lower sales volumes, challenges of a high AUD/USD improving the affordability of imports and strong market competition negatively impacting margins. While financial performance is expected to improve its extent is uncertain.

(ii) Buildings Australia and BlueScope Water Australia
At 30 June 2014, within the Global Building Solutions segment, property, plant and equipment totalling $7.6M was impaired in the BlueScope Buildings and BlueScope Water operating businesses resulting from challenging market conditions.

(iii) Coated and Industrial Products Australia (CIPA)
At 30 June 2014, $8.5M of property, plant and equipment was impaired relating to the Western Port Hot Strip Mill as a result of a review of the likely recoverable value of this previously held for sale asset. The net impact was a $7.2M loss, net of the $1.3M proceeds received (refer to note 6(d)).

(iv) Write-back - Building Products China
The Global Building Solutions segment has fully reversed impairments previously recognised for plant and equipment at the metallic coating and painting facility in Suzhou, China by $88.1M as a result of strong historical and projected financial performance.

The recoverable values were determined using discount rates of 13.6% (2013: 13.6%) for BlueScope Distribution, Buildings Australia and BlueScope Water Australia; 13.8% (2013: 14.2%) for CIPA and 13.0% (2013: 13.1%) for Building Products China.

(f) Prior period impairment charges

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

20 Non-current assets - Deferred tax assets

	Consolidated	
	2014	2013
	$M	$M
The balance comprises temporary differences attributable to:		
Doubtful debts provision	**2.2**	4.1
Employee benefits provision	**138.0**	123.1
Other provisions	**40.4**	43.8
Depreciation	**(186.1)**	(176.6)
Foreign exchange (gains) losses	**(82.5)**	(95.1)
Investments	**-**	(8.1)
Inventory	**(9.4)**	(31.5)
Intangible assets	**(9.2)**	(1.9)
Tax losses	**261.2**	283.2
Other	**8.0**	12.8
	162.6	153.8

	Notes		
Movements:			
Opening balance at 1 July		**153.8**	189.0
Credited (charged) to profit or loss	8	**(22.5)**	5.7
Credited (charged) to other comprehensive income		**(6.3)**	(34.9)
Transfer from (to) current receivables		**19.4**	(12.4)
Business acquisitions	44	**12.9**	-
Foreign exchange differences		**5.3**	6.4
Closing balance at 30 June		**162.6**	153.8

The Australian consolidated tax group has recognised a $84.6M deferred tax asset at 30 June 2014 (2013: $84.6M). The Australian consolidated tax group has incurred taxable losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

21 Non-current assets - Intangible assets

Consolidated	Goodwill $M	Patents, trademarks and other rights $M	Computer software $M	Customer relationships $M	Other intangible assets $M	Total $M
At 1 July 2012						
Cost	720.0	23.2	240.8	84.8	6.3	1,075.1
Accumulation amortisation and impairment	(435.8)	(15.0)	(145.1)	(29.2)	(1.7)	(626.8)
Net book amount	284.2	8.2	95.7	55.6	4.6	448.3
Year 30 June 2013						
Opening net book amount	284.2	8.2	95.7	55.6	4.6	448.3
Exchange differences	19.1	0.6	2.5	3.3	0.3	25.8
Controlled entity disposals	(0.7)	-	-	-	-	(0.7)
Additions	-	-	9.8	-	-	9.8
Amortisation charge	-	(0.8)	(22.4)	(4.5)	(0.3)	(28.0)
Reclassifications from PP&E	-	-	2.4	-	-	2.4
Closing net book amount	302.6	8.0	88.0	54.4	4.6	457.6
At 30 June 2013						
Cost	742.2	17.7	259.9	90.1	6.8	1,116.7
Accumulation amortisation and impairment	(439.6)	(9.7)	(171.9)	(35.7)	(2.2)	(659.1)
Net book amount	302.6	8.0	88.0	54.4	4.6	457.6

Consolidated	Goodwill $M	Patents, trademarks and other rights $M	Computer Software $M	Customer relationships $M	Other intangible assets* $M	Total $M
Year 30 June 2014						
Opening net book amount	302.6	8.0	88.0	54.4	4.6	457.6
Exchange differences	(4.0)	-	(0.4)	(0.6)	0.1	(4.9)
Additions	-	-	8.3	-	-	8.3
Business acquisitions (note 44)	-	-	-	-	32.8	32.8
Impairment charge	(11.6)	-	(1.7)	(5.6)	-	(18.9)
Amortisation charge	-	(0.9)	(21.1)	(4.9)	(0.4)	(27.3)
Reclassifications from PP&E	-	-	1.1	-	-	1.1
Closing net book amount	287.0	7.1	74.2	43.3	37.1	448.7
At 30 June 2014						
Cost	737.4	17.5	263.1	57.2	71.5	1,146.7
Accumulated amortisation and impairment	(450.4)	(10.4)	(188.9)	(45.6)	(2.7)	(698.0)
Net book amount	287.0	7.1	74.2	11.6	68.8	448.7

*The $32.8M addition in other intangible assets represents a restrictive covenant for the billet supply recognised as part of the Pacific Steel acquisition from Fletcher Steel Limited on 3 June 2014 (refer to note 44). The intangible asset is being amortised over 26.5 years being the transition period (approximately 1.5 years) plus the life of the new billet mill (25 years).

21 Non-current assets - Intangible assets (continued)

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

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

Cash generating unit	**Reportable segment**	**2014 $M**	2013 $M
Lysaght Australia	Building Components & Distribution Australia	**20.8**	20.8
Buildings Australia	Global Building Solutions	**18.1**	25.4
BlueScope Water Australia	Global Building Solutions (b)	**-**	4.3
ASC Profiles LLC	Building Products ASEAN, North America & India	**3.0**	3.0
Buildings North America	Global Building Solutions	**232.4**	236.4
Buildings China	Global Building Solutions	**9.4**	9.5
Other Asia	Global Building Solutions	**3.3**	3.2
Total goodwill		**287.0**	302.6

In addition to goodwill, the Group has other intangible assets with indefinite useful lives of $3.1M (2013: $3.1M) allocated to the Buildings North America CGU which relates to trade names recognised as part of the IMSA Group business combination acquired in February 2008.

(b) Impairment charges

Current period

As at 30 June 2014, goodwill totalling $11.6M was impaired in Buildings Australia ($7.3M) and BlueScope Water ($4.3M). Additionally, customer relationship intangibles totalling $5.6M were impaired in Buildings Australia ($2.5M) and BlueScope Water ($3.1M) and computer software intangibles totalling $1.7M were impaired in BlueScope Distribution ($1.0M) and Buildings Australia ($0.7M). Refer to note 19(e) for description of these impairments, including the discount rates used to determine recoverable value.

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

The Group tests for impairment and measures recoverable amount of its CGUs containing goodwill based on the methodology and assumptions outlined in note 3.

Cash generating units with significant goodwill
The significant proportion of the Group's goodwill has been allocated to BlueScope Buildings North America (a business within the Global Building Solutions segment).

BlueScope Buildings North America
BlueScope Buildings North America has $232.4M of goodwill (81% of the Group's goodwill) and is tested for impairment on a VIU basis using four year cash flow projections, followed by a long-term growth rate of 2.5% for a further 26 years. Pre-tax VIU cash flows are discounted utilising a 13.4% pre-tax discount rate (2013: 13.4%).

At 30 June 2014 the recoverable amount of this CGU is 1.1 times the carrying amount of $357.6M, including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to North American non-residential building and construction activity, in particular the magnitude and timing of a recovery to pre global financial crisis activity levels. Taking into account external forecasts, the Company expects non-residential building and construction activity to increase significantly (10% per annum from the current base over the four-year projection period) as general market conditions improve in North America but remain 17% below the levels experienced prior to the 2008 global financial crisis.

However, the timing and extent of this recovery is uncertain and in the absence of mitigating factors, a permanent 26% reduction in non-residential construction activity below pre global financial crisis levels, or more than a two year period to achieve the projected recovery, would reduce the recoverable amount to be equal to the carrying amount.

22 Non-current assets - Other

	Consolidated 2014 $M	Consolidated 2013 $M
Deferred charges and prepayments	**7.8**	2.8

23 Current liabilities - Payables

	Notes	Consolidated 2014 $M	Consolidated 2013 $M
Trade payables		**1,053.0**	934.0
Deferred business acquisition consideration	44	**48.7**	-
Other payables		**116.9**	97.7
		1,218.6	1,031.7

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 37.

24 Current liabilities - Borrowings

	Notes	Consolidated 2014 $M	Consolidated 2013 $M
Secured			
Lease liabilities	41	**9.0**	6.7
		9.0	6.7
Unsecured			
Bank overdrafts	10	**0.7**	0.8
Bank loans		**30.5**	-
Other loans		**0.3**	0.6
		31.5	1.4
Total current interest bearing liabilities		**40.5**	8.1

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 29.

(b) Risk exposures

Details of the Group's exposure to risks arising from current and non-current borrowings are set out in note 37.

25 Current liabilities - Current tax liabilities

	Consolidated	
	2014	2013
	$M	$M
Income tax	**9.7**	8.7

26 Current liabilities - Provisions

	Consolidated	
	2014	2013
	$M	$M
Employee benefits - annual leave	**74.9**	65.5
Employee benefits - long service leave	**137.9**	134.7
Employee benefits - redundancy (a)	**40.3**	11.2
Employee benefits - other	**122.3**	109.7
Restructure (b)	**35.3**	31.3
Product claims (c)	**24.8**	24.6
Workers compensation (d)	**15.6**	13.8
Restoration and rehabilitation (e)	**7.2**	3.8
Carbon emissions (f)	**44.3**	32.4
Other	**6.1**	14.8
	508.7	441.8

(a) Redundancy

In June 2014, Coated and Industrial Products Australia (CIPA) recognised $33.0M in redundancy provision for manufacturing and overhead cost reduction initiatives. In addition, BlueScope Distribution raised a $6.0M redundancy provision in relation to integration of the acquisition of OneSteel Sheet & Coil processing and distribution businesses in Sydney, Brisbane, and Adelaide from Arrium Limited in April 2014.

The remaining employee redundancy provision balance reflects a range of internal reorganisations. All redundancies are expected to take effect within 12 months of the reporting date.

(b) Restructure

The current period restructuring provision includes $17.4M in Global Building Solutions for Buildings China in relation to our China operations and $5.4M recognised in Coated and Industrial Products Australia associated with various business restructuring. Additionally, the provision includes $23.5M (current $9.6M, $13.9M non-current) for incurred and estimated future costs arising from the closure of the No. 6 Blast furnace at Port Kembla and other equipment to reflect the reduced ironmaking capacity, as announced on 22 August 2011.

The remaining restructuring provisions relate to the Building Products North America and Australia Building Components and Distribution segments to cover estimated future costs of announced site closures. The majority of the provisions are expected to be utilised within the next two to three years.

(c) Product claims

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

26 Current liabilities - Provisions (continued)

(d) Workers compensation

In Australia and North America, BlueScope Steel Limited is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary. A contingent liability exists in relation to guarantees given to various state workers compensation authorities, due to self-insurance prerequisites (refer note 40).

For the Group, an actuarially determined asset of $24.9M (2013: $41.2M) has been recognised for expected future reimbursements associated with workers compensation recoveries from third parties. This amount is included in non-current other receivables (refer to note 16) as there is no legal right of offset against the workers compensation provision.

(e) Restoration and rehabilitation

Restoration and rehabilitation provisions include environmental liabilities based upon the assessment of BlueScope Distribution sites following the acquisition of Smorgon Steel Limited's Distribution business in August 2007. This current provision totals $2.9M (2013: $3.5M). Other restoration and rehabilitation non-current provisions of $13.6M (2013: $9.4M) exist for New Zealand Steel in relation to its operation of two iron sand mines (refer to note 31). These provisions have been classified as non-current as the timing of payments to remedy these sites will not be made until the distant future upon cessation of their operations. The extent of these future costs remains uncertain due to possibilities of changed site conditions.

Additionally, as part of the Australian business acquisitions, Orrcon and Fielders Manufacturing in February 2014 and Pacific Steel Group in New Zealand Steel Limited in June 2014, a $11.5M make-good provision has been recognised on acquisition, representing the estimated fair value to make good leased premises (refer to note 44(a)).

The balance of the provision relates to various businesses that have recorded provisions in relation to leased sites that require rectification and restoration work at the end of their respective lease periods.

(f) Carbon emissions

The Group is a participant in the New Zealand Government’s uncapped Emissions Trading Scheme, effective from 1 July 2010. The Australian Government Carbon Pricing Mechanism Scheme, which came into effect from 1 July 2012, was abolished by the Australian Federal Government, effective 1 July 2014. The provision represents the value of permits payable under both schemes for the year ending 30 June 2014 and is measured with reference to the carrying amount of emission units (EUs) held with any excess measured at the current market value of EUs.

(g) Movements in provisions

The reconciliation of movement in provisions is set out in note 31.

(h) Amounts not expected to be settled within 12 months for current leave provisions

The current provision for long service leave includes all unconditional entitlements where employees have completed the required period of service. The entire annual leave amount and vested portion of long service leave are presented as current since the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued annual leave and long service leave or require payment within the next 12 months. The following amounts reflect leave classified as current that is not expected to be taken or paid within the next 12 months.

	Consolidated	
	2014 **$M**	2013 $M
Current annual and long service leave obligation expected to be settled after 12 months	**128.8**	114.1

27 Current liabilities - Deferred income

	Consolidated **2014** **$M**	Consolidated 2013 $M
Deferred income	**150.0**	177.2

28 Non-current liabilities - Payables

	Notes	Consolidated **2014** **$M**	Consolidated 2013 $M
Other payables		**8.3**	8.3
Deferred business acquisition consideration	44	**33.5**	-
		41.8	8.3

(a) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 37.

29 Non-current liabilities - Borrowings

	Notes	Consolidated **2014** **$M**	Consolidated 2013 $M
Secured			
Bank loans		**26.6**	-
Other loans		**-**	6.7
Lease liabilities	41	**189.5**	158.4
		216.1	165.1
Unsecured			
Bank Loans		**166.5**	184.5
Other loans		**318.7**	324.1
Deferred borrowing costs		**(13.6)**	(19.7)
		471.6	488.9
Total non-current borrowings		**687.7**	654.0

(a) Secured liabilities and assets pledged as security

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

	Consolidated **2014** **$M**	Consolidated 2013 $M
Bank loans	**26.6**	-
Other loans	**-**	6.7
Lease liabilities	**198.5**	165.1
Total secured liabilities	**225.1**	171.8

29 Non-current liabilities - Borrowings (continued)

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2014 **$M**	2013 $M
Bank loans		
Trade receivables	**403.2**	479.5
Inventories	**1,179.5**	1,046.4
	1,582.7	1,525.9
Lease liabilities		
Property, plant and equipment	**175.8**	155.9
Total assets pledged as security	**1,758.5**	1,681.8

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

(b) Financing arrangements

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

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

- $675M syndicated bank facility with a syndicate of banks. The facility is currently $26.6M drawn and comprises a $675M tranche maturing in December 2015. The facility is secured against trade receivables and inventories of the Australian, New Zealand and North American businesses, excluding Building Products North America.

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

- Two long-term facilities totalling THB 1,750M (AUD 57M) available for the NS BlueScope Steel (Thailand) Ltd cash requirements.

- One short-term facility totalling MYR 30M (AUD 10M) to support working capital and other short-term cash requirements for NS BlueScope Steel (Malaysia) Sdn Bhd.

The NS BlueScope Coated joint venture entered into the following facilities:

- Two USD 100M revolving facility maturing March 2015 and March 2016;
- Two USD 50M term facilities maturing March 2016 and July 2016.

29 Non-current liabilities - Borrowings (continued)

Other facilities

- USD 300M in Senior Unsecured Notes, offered to qualified institutional buyers in the United States of America, which mature 1 May 2018. Interest of 7.125% on the Notes will be paid semi-annually on 1 May and 1 November of each year.

Working Capital Facility - Trade receivables securitisation

- BlueScope Distribution has a receivables securitisation program with NAB. The facility limit is $150M which matures on 7 September 2015 (refer to note 11(d)).

Bank overdrafts

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

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

	Consolidated	
	2014 $M	2013 $M
Credit standby arrangements		
Total facilities		
Bank overdrafts	**44.1**	48.9
Bank loan facilities	**1,228.4**	1,246.8
	1,272.5	1,295.7
Used at balance date		
Bank overdrafts	**0.7**	0.8
Bank loan facilities	**223.7**	184.5
	224.4	185.3
Unused at balance date		
Bank overdrafts	**43.4**	48.1
Bank loan facilities	**1,004.7**	1,062.3
	1,048.1	1,110.4

(c) Risk exposures

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

30 Non-current liabilities - Deferred tax liabilities

		Consolidated	
		2014	2013
		$M	$M
The balance comprises temporary differences attributable to:			
Amounts recognised in profit or loss			
Doubtful debts provision		**(1.6)**	(1.2)
Employee benefits		**(34.4)**	(39.5)
Claims provision		**(2.3)**	(2.5)
Other provisions		**(0.8)**	(4.0)
Depreciation		**57.0**	55.4
Foreign exchange (gains) losses		**0.2**	0.2
Inventory		**(3.2)**	(3.1)
Investments		**0.6**	(0.5)
Intangible assets		**18.7**	20.6
Tax losses		**(5.9)**	(10.8)
Other		**2.9**	(0.9)
		31.2	13.7

	Notes		
Movements:			
Opening balance at 1 July		**13.7**	18.7
Charged (credited) to profit or loss	8	**13.5**	(1.3)
Charged (credited) to other comprehensive income		**3.6**	11.6
Partial disposal of subsidiaries		**-**	(15.9)
Exchange fluctuation		**0.4**	0.6
Closing balance at 30 June		**31.2**	13.7

31 Non-current liabilities - Provisions

	Consolidated	
	2014	2013
	$M	$M
Employee benefits - long service leave	**26.3**	22.4
Employee benefits - other	**7.6**	7.7
Restructure	**30.5**	32.3
Product claims	**33.7**	39.5
Workers compensation	**76.4**	104.0
Restoration and rehabilitation	**30.3**	13.9
Other	**1.0**	2.2
	205.8	222.0

For a description of each class of provision, refer to note 26.

31 Non-current liabilities - Provisions (continued)

(a) Movements in provisions

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

	Restructure $M	Product claims $M	Workers compensation $M	Restoration and rehabilitation $M	Carbon Emissions $M	Other $M	Total $M
Consolidated - 2014							
Current and non-current							
Carrying amount at start of the year	63.6	64.1	117.8	17.7	32.4	17.0	312.6
Additional provisions recognised (note 7)	40.8	4.6	5.0	4.9	147.0	5.7	208.0
Business acquisitions (note 26(e))	-	-	-	11.5	-	-	11.5
Unutilised provisions written back	(4.8)	-	-	-	-	-	(4.8)
Amounts used during the period	(35.1)	(12.4)	(17.0)	(1.0)	(135.2)	(16.0)	(216.7)
Exchange fluctuations	-	0.3	-	1.1	0.1	0.4	1.9
Transfers	0.5	0.9	(16.3)	-	-	-	(14.9)
Unwinding of discount (note 7)	0.8	1.0	2.5	0.4	-	-	4.7
Capitalised provision	-	-	-	2.9	-	-	2.9
Carrying amount end of year	65.8	58.5	92.0	37.5	44.3	7.1	305.2

32 Non-current liabilities - Retirement benefit obligations

(a) Superannuation benefits

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

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

New Zealand employees are members of either the New Zealand Steel Pension Fund, being a defined benefit plan, or the Retirement Savings Plan, a defined contribution master trust managed by Tower Employee Benefits Limited. The defined benefit plan is closed to new participants.

In North America, employees previously belonging to the Butler Manufacturing Company are members of the Butler Manufacturing Base Retirement Plan, a defined benefit fund which has been closed to new participants since 31 December 2004. Employees hired on or after 1 January 2004 receive a retirement contribution from the Butler Employee Savings Trust (BEST) which is a defined contribution plan. Employees previously sponsored by the VP Salaried, VP Hourly and IMSA Steel defined benefit plans were merged into the Butler Base Retirement Plan effective 31 December 2008.

The Group also makes superannuation contributions to defined contribution funds in respect of the entity’s employees located in other countries.

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

Actuarial assessments of the defined benefit funds are made at no more than three-yearly intervals, with summary assessments performed annually. The last formal actuarial investigations were made of the BlueScope Steel Superannuation Fund as at 30 June 2011, the New Zealand Steel Pension Fund as at 30 June 2012, and the Butler Base Retirement Plan as at 1 January 2014. Summary actuarial assessments were performed for all of these funds as at 30 June 2014, to provide information that is more up to date than that of the most recent formal actuarial investigation.

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

(b) Statement of financial position amounts

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

The amounts recognised in the statement of financial position are determined as follows:

	Consolidated	
	2014	2013
	$M	$M
Present value of the defined benefit obligation	**(1,245.7)**	(1,159.2)
Fair value of defined benefit plan assets	**1,083.1**	942.2
Net (liability) asset in the statement of financial position	**(162.6)**	(217.0)

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

2014	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated & Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(391.0)	(438.0)	(416.7)	(1,245.7)
Fair value of defined benefit plan assets	366.8	369.5	346.8	1,083.1
Net (liability) asset in the statement of financial position	(24.2)	(68.5)	(69.9)	(162.6)
Defined benefit expense	16.6	13.8	4.7	35.1
Employer contribution	20.9	17.5	1.1	39.5
Average duration of defined benefit plan obligation (years)	6.6	13.6	14.4	
Significant actuarial assumptions	%	%	%	
Discount rate (gross of tax)	4.0	4.7	4.2	
Future salary increases (ii)	3.0	3.0	-	

2013	**BlueScope Steel Superannuation Fund $M**	**New Zealand Pension Fund $M**	**Coated & Building Products North America $M**	**Total $M**
Present value of the defined benefit obligation	(386.0)	(374.3)	(398.9)	(1,159.2)
Fair value of defined benefit plan assets	333.3	288.1	320.8	942.2
Net (liability) asset in the statement of financial position	(52.7)	(86.2)	(78.1)	(217.0)
Defined benefit expense (ii) (restated)	20.3	18.7	(0.4)	38.6
Employer contribution	24.8	15.5	7.7	48.0
Significant actuarial assumptions	%	%	%	
Discount rate (gross of tax)	4.0	4.6	4.6	
Future salary increases	3.0	3.0	-	

(i) Coated and Building Products North America has frozen future salary increases for the purpose of contributions to the superannuation fund as at 30 June 2013.

(ii) The adoption of the revised AASB 119 *Employee Benefits* resulted in a retrospective $28.6M increase in employee benefits expense for the twelve months ending 30 June 2013 (refer to note 1).

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

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

(d) Actuarial assumptions and sensitivity

A quantitative sensitivity analysis for impact on the defined benefit obligation to changes in significant actuarial assumptions is as follows:

		Impact on defined benefit obligation	
	Change in assumption	**Increase in assumption $M**	**Decrease in assumption $M**
Discount rate	+/-1%	(53.2)	66.2
Salary growth rate	+/-1%	28.2	(24.5)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on the net defined benefit obligation as a result of reasonable changes in key assumptions occurring for the year ended 30 June 2014.

(e) Categories of plan assets

The major categories of plan assets are as follows:

	Consolidated	
	2014 $M	2013 $M
Cash	**13.8**	3.3
Equity instruments	**454.8**	443.7
Debt instruments	**534.4**	456.4
Property	**40.0**	38.8
Other assets	**40.1**	-
	1,083.1	942.2

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

(f) Reconciliations

	Consolidated	
		Restated*
	2014	2013
	$M	$M
Reconciliation of the present value of the defined benefit obligation, which is partly funded:		
Opening balance	**1,159.2**	1,249.1
Current service cost	**24.8**	27.5
Interest cost	**43.3**	40.4
Actuarial losses (gains) arising from changes in demographic assumptions	**22.7**	(156.4)
Actuarial losses (gains) arising from changes in financial assumptions	**29.1**	3.7
Foreign currency exchange rate changes	**33.3**	62.7
Benefits paid	**(62.3)**	(55.3)
Allowance for contributions tax on net liability	**(4.4)**	(5.5)
Losses (gains) on curtailments	**-**	(5.6)
Other	**-**	(1.4)
Balance at the end of the year	**1,245.7**	1,159.2
Reconciliation of the fair value of plan assets:		
Balance at the beginning of the year	**942.2**	817.1
Interest income (net of tax paid)	**35.7**	22.7
Plan expenses	**(2.5)**	-
Actuarial losses (gains) arising from changes in financial assumptions	**110.0**	72.1
Foreign currency exchange rate changes	**25.0**	43.5
Contributions by the Group	**39.5**	48.0
Tax on employer contributions	**(8.9)**	(8.8)
Contributions by plan participants	**4.4**	4.3
Benefits paid	**(62.3)**	(55.3)
Other	**-**	(1.4)
Balance at the end of the year	**1,083.1**	942.2

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer to note 1.

(g) Amounts recognised in profit or loss

The amounts recognised in profit or loss in respect of defined benefit plans are as follows:

	Consolidated	
		Restated*
	2014	2013
	$M	$M
Current service cost	**24.8**	27.5
Contributions by plan participants	**(4.4)**	(4.3)
Net interest	**7.6**	17.7
Plan expenses	**2.5**	-
Allowance for contributions tax on net liability	**4.6**	3.3
Losses (gains) on curtailments and settlements	**-**	(5.6)
Total included in employee benefits expense	**35.1**	38.6
Actual return on plan assets	**143.2**	94.8

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer to note 1.

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

(h) Amounts recognised in other comprehensive income

	Consolidated	
		Restated*
	2014	2013
	$M	$M
Actuarial gains (losses) recognised in other comprehensive income during the year - DB plans	**58.2**	224.8
Actuarial gains (losses) recognised in other comprehensive income during the year - Other	**-**	(0.4)
	58.2	224.4
Cumulative actuarial losses recognised in other comprehensive income	**(272.6)**	(330.8)

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer to note 1.

(i) 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 2015 are $26.5M. The Company has advised members that the Australian fund will be fully funded and unwound within a three year period.

Funding recommendations are made by the actuary based on their forecast of various matters, including future plan assets performance, interest rates and salary increases. A summary of the key economic assumptions for each of the Group's defined benefit plans is outlined in note 32(c).

33 Non-current liabilities - Deferred income

		Consolidated	
	Notes	**2014** **$M**	2013 $M
STP Government grant	16	**-**	83.0
Deferred income		**3.4**	3.7
		3.4	86.7

34 Contributed equity

(a) Share capital

	Parent Entity		Parent Entity	
	2014 Shares	2013 Shares	**2014 $M**	2013 $M
Issued fully paid ordinary shares (d)	**558,848,896**	558,243,305	**4,663.1**	4,661.4

(b) Other equity securities

Treasury Shares (d) (e)	**(494,952)**	(1,155,933)	**(3.7)**	(11.3)
Total Contributed equity			**4,659.4**	4,650.1

(c) Movements in ordinary share capital

Date	Details	Number of shares	Issue/ redemption price	$M
1 July 2013	**Opening balance**	**558,243,305**		**4,661.4**
	FY12 KMP STI share awards (i)	**490,423**	$2.25	0.4
	Share plan retention awards (ii)	**115,168**	$11.70	1.3
30 June 2014	**Balance**	**558,848,896**		**4,663.1**

(d) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Group in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the Group does not have a limited amount of authorised capital.

(i) *FY12 KMP STI share awards*
In September 2013, 578,404 shares ($1.3M) were issued to Key Management Personnel (KMP) executives as part of the FY12 KMP STI share awards, of which 490,423 were new shares and 87,981 allocated from forfeited retention share award schemes classified as treasury shares. The shares will lapse if the KMP executive resigns or is terminated for cause within 12 months.

(ii) *Share plan Retention Awards*
The March 2011 Non-ELT retention share scheme vested in March 2014, resulting in 131,668 retention rights issued in April 2014, of which 115,168 were new shares and 16,500 were allocated from forfeited retention share award schemes classified as treasury shares. Additionally, 556,500 shares were released by the BlueScope employee share plan trust to Non-ELT members upon the plan vesting in March 2014.

(e) Treasury shares

Treasury shares are shares in BlueScope Steel Limited that are held by the BlueScope Employee Share Trust for the purpose of issuing shares under the Share Plan Retention Scheme (see note 51 for further information).

34 Contributed equity (continued)

Date	Details	Number of shares	$M
1 July 2013	**Opening balance**	**(1,155,933)**	**(11.3)**
	FY12 KMP STI share awards (i)	**87,981**	0.9
	Share plan retention awards (ii)	**16,500**	0.2
	Mar-11 and July-11 Retention shares vested (ii)	**556,500**	6.5
30 June 2014	**Balance**	**(494,952)**	**(3.7)**

(f) Dividend Reinvestment Plan

The Dividend Reinvestment Plan enables shareholders to receive some or all of their future dividends as ordinary BlueScope Steel Limited shares instead of cash.

(g) Share rights

Information relating to the Long Term Incentive Plan, including details of share rights issued, vested and lapsed during the financial year and share rights outstanding at the end of the financial year, is set out in note 51(a).

(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 Group's gearing ratio is managed through the steel price cycle to ensure access to finance at reasonable cost regardless of the point in the cycle. On occasions, the Group will take advantage of certain investment opportunities where an increased level of gearing will be tolerated, provided there is sufficient future cash flow strength and flexibility to be confident of credit strengthening rather than uncertainty and risk of credit weakening.

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

The Group's gearing ratio is as follows:

		Consolidated	
	Notes	**2014 $M**	2013 $M
Total borrowings	24, 29	**728.2**	662.1
Less: Cash and cash equivalents	10	**(466.6)**	(513.7)
Net debt		**261.6**	148.4
Total equity		**4,456.7**	4,460.3
Total capital		**4,718.3**	4,608.7
Gearing ratio		**5.5%**	3.2%

35 Reserves and retained profits

(a) Reserves

	Consolidated	
	2014	2013
	$M	$M
Hedging reserve - cash flow hedges	**(1.2)**	(0.9)
Share-based payments	**47.4**	41.0
Foreign currency translation reserve	**(154.2)**	(186.8)
Non-distributable profits reserve	**14.4**	13.5
Asset realisation reserve	**189.3**	192.6
Controlled entity acquisition reserve	**(21.9)**	(21.9)
	73.8	37.5

	Consolidated	
	2014	2013
	$M	$M
Movements:		
Hedging reserve - cash flow hedges		
Opening balance	**(0.9)**	-
Net gain (loss)	**0.3**	(2.4)
Transfer to inventory	**(0.6)**	1.1
Deferred tax	**0.1**	0.4
Exchange fluctuation	**(0.1)**	-
Closing balance	**(1.2)**	(0.9)
Share-based payments		
Opening balance	**41.0**	29.5
Share-based payments expense	**14.4**	11.5
Issue of shares - Retention share rights	**(1.3)**	-
Release of treasury shares - Retention shares	**(6.5)**	-
Release of treasury shares - Retention share rights	**(0.2)**	-
Closing balance	**47.4**	41.0
Foreign currency translation		
Opening balance	**(186.8)**	(309.8)
Net gain (loss) on hedges of subsidiaries	**(3.8)**	17.6
Deferred tax on investments in subsidiaries	**-**	0.1
Currency translation differences arising during the year	**36.1**	73.0
Transfer to non-controlling interests	**-**	31.9
Other	**0.3**	0.4
Closing balance	**(154.2)**	(186.8)
Non-distributable profits reserve		
Opening balance	**13.5**	13.3
Exchange fluctuations	**(0.1)**	(0.4)
Transfer from retained profits	**1.0**	0.6
Closing balance	**14.4**	13.5
Asset realisation reserve		
Opening balance	**192.6**	-
Net gain on partial disposal of subsidiaries	**-**	184.3
Tax (expense) benefit on partial disposal of subsidiaries	**-**	8.3
Consideration transferred to non-controlling interests	**(0.3)**	-
Transaction costs	**(3.0)**	-
Closing balance	**189.3**	192.6

35 Reserves and retained profits (continued)

	Consolidated	
	2014	2013
	$M	$M
Controlled entity acquisition reserve		
Opening balance	**(21.9)**	-
Carrying amount of non-controlling interests acquired	**-**	45.7
Consideration paid to non-controlling interests	**-**	(89.3)
Transaction costs	**-**	(0.2)
	(21.9)	(43.8)
Partial disposal of subsidiaries	**-**	21.9
Closing balance	**(21.9)**	(21.9)

(b) Retained profits

Movements in retained profits were as follows:

		Consolidated	
			Restated*
		2014	2013
	Notes	**$M**	$M
Opening balance		**(634.7)**	(703.8)
Profit (loss) for the year		**(82.4)**	(107.1)
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	32(h)	**58.2**	224.4
Income tax on actuarial gains (losses)		**(10.0)**	(46.9)
Transfer to non-distributable profits reserve		**(1.0)**	(0.6)
Non-controlling interest share of actuarial gains (losses) on defined benefit obligation		**(1.7)**	(0.8)
Other		**(0.1)**	0.1
Closing balance		**(671.7)**	(634.7)

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer to note 1.

(c) Nature and purpose of reserves

(i) Hedging reserve - cash flow hedges

This reserve is used to record gains or losses on hedging instruments that are determined to be an effective hedge and therefore qualify for hedge accounting, as described in note 1(r). The Group manages a cash flow hedging program in relation to electricity, commodity and foreign exchange exposures. Gains or losses from hedging instruments are recognised within inventory in the statement of financial position when the hedged cash flows are transacted.

(ii) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of unexercised share rights issued to employees that may or may not have met vesting conditions. The share-based payments reserve is also used to recognise the fair value of benefits awarded under General Employee Share Plans that have not vested at the reporting date. Once either share rights are exercised or shares are issued according to the conditions of General Employee Share Plans the fair value of the related benefit is transferred into ordinary issued share capital. Refer to note 51(a) for details of share rights exercised during the period.

(iii) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are recognised in other comprehensive income as described in note 1(f) and accumulated in a separate reserve within equity. It is also used to recover the effect of hedging net investments in foreign operations. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

35 Reserves and retained profits (continued)

(iv) Non-distributable profit reserve

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

(v) Asset realisation reserve

The asset realisation reserve arises from the net after tax accounting gain from disposing of a 50% interest in BlueScope's ASEAN and North American building product businesses into the BlueScope and Nippon Steel and Sumitomo Metal Corporation joint venture as at 28 March 2013. In accordance with the Group's consolidation accounting policy (note 1(d)(iv)) transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. Any difference between the amount of adjustment to non-controlling interests and consideration paid or received, net of transaction costs, is recognised in a separate reserve within equity attributable to owners of BlueScope Steel Limited.

(vi) Controlled entity acquisition reserve

The controlled entity acquisition reserve arises from the Group's acquisition of the remaining 40% non-controlling interest in BlueScope Steel (Malaysia) Sdn Bhd and 5% of Lysaght Thailand Ltd and BlueScope Steel Thailand Ltd, adjusted for the subsequent 50% disposal of their additional interests into BlueScope and Nippon Steel and Sumitomo Metal Corporation joint venture. This item represents the difference between the amount paid and the balance of the non-controlling interest acquired (refer note 1(d) (iv)).

36 Dividends

(a) Ordinary shares

	Parent entity	
	2014 **$M**	2013 $M
There was no final dividend declared in relation to the year ended 30 June 2013.	**-**	-
There was no interim dividend declared for the year ended 30 June 2014.	**-**	-
Total dividends provided for or paid	**-**	-

(b) Dividends not recognised at year-end

For the year ended 30 June 2014 the Directors decided that there will be no final dividend declared (2013: $Nil).

36 Dividends (continued)

(c) Franked dividends

	Parent entity	
	2014	2013
	$M	$M
Actual franking account balance as at the reporting date	**72.1**	72.1
Franking credits available for subsequent financial years based on a tax rate of 30%	**72.1**	72.1

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

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

(d) Dividend cash flows

The total cash paid to shareholders in respect of dividends during the period is $Nil (2013: $Nil) as presented in the statement of cash flows.

37 Financial risk management

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

		Loans and receivables	**Derivative instruments**		**Financial liabilities at amortised cost**	**Total carrying amount**
			Designated as hedges	Held for trading		
30 June 2014	Notes	**$M**	**$M**	**$M**	**$M**	**$M**
Financial assets						
Receivables (current)	11	1,062.5	-	-	-	1,062.5
Receivables (non-current)	16	46.1	-	-	-	46.1
		1,108.6	-	-	-	1,108.6
Financial liabilities						
Payables (current)	23	-	-	-	(1,218.6)	(1,218.6)
Payables (non-current)	28	-	-	-	(41.8)	(41.8)
Derivative financial instruments	14	-	(2.1)	(0.1)	-	(2.2)
Borrowings (current)	24	-	-	-	(40.5)	(40.5)
Borrowings (non-current)	29	-	-	-	(687.7)	(687.7)
		1,108.6	(2.1)	(0.1)	(1,988.6)	(882.2)

37 Financial risk management (continued)

30 June 2013	Notes	Loans and receivables $M	Derivative instruments Designated as hedges $M	Derivative instruments Held for trading $M	Financial liabilities at amortised cost $M	Total carrying amount $M
Financial assets						
Receivables (current)	11	952.3	-	-	-	952.3
Receivables (non-current)	16	145.4	-	-	-	145.4
Derivative financial instruments	14	-	-	0.4	-	0.4
		1,097.7	-	0.4	-	1,098.1
Financial liabilities						
Payables (current)	23	-	-	-	(1,031.7)	(1,031.7)
Payables (non-current)	28	-	-	-	(8.3)	(8.3)
Derivative financial instruments	14	-	(1.3)	-	-	(1.3)
Borrowings (current)	24	-	-	-	(8.1)	(8.1)
Borrowings (non-current)	29	-	-	-	(654.0)	(654.0)
		1,097.7	(1.3)	0.4	(1,702.1)	(605.3)

The Group's obligations expose it to market risk (including interest rate risk, currency risk and other price risk), liquidity risk and credit risk. The nature of these risks and the policies the Group has for controlling them and any concentrations of exposure are discussed as follows:

Financial risk management

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

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

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

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

(a) Market risk

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

37 Financial risk management (continued)

(i) Interest rate risk

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

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

Sensitivity disclosure analysis

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

	Consolidated	
	2014 **$M**	2013 $M
Financial assets		
Cash and cash equivalents	**466.6**	513.7
Financial liabilities		
Borrowings	**223.5**	191.1
Net exposure	**243.1**	**322.6**

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

Judgement of reasonably possible movements:	**Post-tax profit higher (lower)**		**Equity higher (lower)**	
	2014 **$M**	2013 $M	**2014** **$M**	2013 $M
+50 basis points	**0.9**	1.2	**0.9**	1.2
-50 basis points	**(0.9)**	(1.2)	**(0.9)**	(1.2)

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

37 Financial risk management (continued)

(ii) Currency risk

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

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

The Group's exposure to its external non-functional currency USD financial assets and financial liabilities are as follows:

	Consolidated	
	2014 **$M**	2013 $M
Financial assets		
Cash and cash equivalents	**49.7**	34.7
Trade and other receivables	**52.2**	67.2
Forward foreign exchange contracts	**-**	0.3
	101.9	102.2
Financial liabilities		
Trade and other payables	**156.0**	120.0
Borrowings	**100.9**	29.2
Forward foreign exchange contracts	**0.9**	0.5
	257.8	149.7
Net exposure	**(155.9)**	(47.5)

This exposure for the Group does not reflect the natural hedge of USD assets against USD borrowings of AUD 4.8M (2013: AUD 108.7M).

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

37 Financial risk management (continued)

Sensitivity disclosure analysis

The table below summarises the impact of +/- 10% (2013: +/- 10%) weakening/strengthening of the AUD against the USD on the Group's post-tax profit for the year and on equity based on the Group's external net exposure. The analysis is based on the assumption that the AUD has weakened/strengthened by 10% with all other variables held constant.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed on a historical basis.

	Post-tax profit higher (lower)		**Equity higher (lower)**	
Judgement of reasonably possible movements:	**2014 $M**	2013 $M	**2014 $M**	2013 $M
AUD/USD + 10% (2013: +10%)	**11.0**	3.2	**11.0**	3.2
AUD/USD - 10% (2013: -10%)	**(13.5)**	(3.9)	**(13.5)**	(3.9)

(iii) Other price risk

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

The Group takes a portfolio approach to price risk management. Hedging of price risks is undertaken infrequently due to the inherent limitations in being able to materially reduce volatility in earnings and cash flow. The primary limitation is that liquid derivative markets are not currently operating in the Group's most significant price risks, being international steel prices (particularly hot rolled coil and slab), coal and iron ore. The absence of deep liquidity in derivative markets for these commodities means that any hedging program for other price risks will not have a material impact on reducing cash flow at risk.

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

The Group periodically enters into hedges to manage exposure to fluctuations in electricity (New Zealand operations) and zinc, aluminium and iron ore prices (Coated and Industrial Products Australia) in accordance with the Group's financial risk management policies. An electricity hedge was taken out on 1 January 2014 and matures on 31 December 2014.

The value of electricity hedges is influenced by the price of electricity and is considered a derivative financial instrument, exposing the Group to commodity price risk as defined under the Accounting Standards.

The sensitivity of their fair value to an immediate increase/decrease in the commodity price of electricity is set out in the following table (with all other variables, in particular foreign exchange rates, held constant). The analysis is based on the volatility observed both on a historical basis and market expectations for future movement.

	Post-tax profit higher (lower)	
Judgement of reasonably possible movements:	**2014 $M**	2013 $M
Electricity price + 20%	**0.7**	1.4
Electricity price - 20%	**(0.7)**	(1.4)

37 Financial risk management (continued)

(b) Liquidity risk

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

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

The Group's net exposure to liquidity risk is not significant based on available funding facilities and cash flow forecasts. Refer to note 29(b) for a summary of the Group's material financing facilities.

Contractual maturity analysis
The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities at 30 June 2014 and 30 June 2013. The amounts disclosed represent undiscounted, contractual cash flows for the respective obligations in respect of upcoming fiscal years and therefore do not equate to the values shown in the statement of financial position.

	Contractually maturing in:						
Non-derivatives		**1 - 2**	**2 - 3**	**3 - 4**	**4 - 5**	**> 5**	
	< 1 year	**years**	**years**	**years**	**years**	**years**	**Total**
30 June 2014	$M	$M	$M	$M	$M	$M	$M
Payables (current & non-current)	1,218.6	33.5	-	-	-	8.3	1,260.4
Borrowings (current & non-current)	84.8	191.6	103.7	369.6	27.6	224.9	1,002.2
	1,303.4	225.1	103.7	369.6	27.6	233.2	2,262.6
Derivatives							
Electricity forward exchange contracts	1.2	-	-	-	-	-	1.2
Gross settled (forward foreign exchange contracts)							
- Cash outflow	57.2	-	-	-	-	-	57.2
- Cash (inflow)	(56.2)	-	-	-	-	-	(56.2)
	1.0	-	-	-	-	-	1.0

	Contractually maturing in:						
Non-derivatives		**1 - 2**	**2 - 3**	**3 - 4**	**4 - 5**	**> 5**	
	< 1 year	**years**	**years**	**years**	**years**	**years**	**Total**
30 June 2013	$M	$M	$M	$M	$M	$M	$M
Payables (current & non-current)	1,031.7	-	-	-	-	8.3	1,040.0
Borrowings (current & non-current)	48.7	54.5	230.6	45.8	369.9	175.8	925.3
	1,080.4	54.5	230.6	45.8	369.9	184.1	1,965.3
Derivatives							
Electricity forward exchange contracts	0.8	-	-	-	-	-	0.8
Gross settled (forward foreign exchange contracts)							
- Cash outflow	35.8	-	-	-	-	-	35.8
- Cash (inflow)	(35.3)	-	-	-	-	-	(35.3)
	0.5	-	-	-	-	-	0.5

37 Financial risk management (continued)

(c) Credit risk

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

To manage this risk, the Group:

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

The maximum exposure of the Group's credit risk is represented by the carrying amount of the financial assets it holds (without taking account of the value of any collateral obtained), reduced by the effects of any netting arrangements with financial institution counterparties. As at 30 June 2014 and 30 June 2013, the Group held minimal amounts of collateral as security relating to any of its financial assets.

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

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

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

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

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

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

Selected receivables are covered for both commercial and sovereign risks by payment guarantee arrangements with various banks and specialist credit insurers.

37 Financial risk management (continued)

(ii) Renegotiations and amounts past due and not impaired
The Group does not typically renegotiate the terms of trade receivables. However, should a renegotiation occur, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 30 June 2014 (30 June 2013: Nil). Refer to note 11(c) for an ageing analysis of trade receivables past due and not impaired. Significant financial difficulties of the debtor, probability that the debtor will enter insolvency or financial reorganisation, and default or delinquency in payments are considered indicators of impairment.

With respect to the trade receivables which are neither impaired nor past due, there are no indications as at reporting date that the debtors will not meet their obligations as they fall due. Refer to notes 11 and 16 for impairment losses recognised for the period.

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

(d) Fair value

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

AASB 7 *Financial Instruments: Disclosures* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(*i*) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
(*ii*) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (i.e. derived from prices); and
(*iii*) Level 3 - inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The Group enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade credit ratings.

Derivatives valued using valuation techniques with market observable inputs are primarily foreign exchange forward contracts and commodity forward contracts. Derivative contracts are valued with regards forward pricing using present value calculations. The forward price incorporates various inputs including the credit quality of counterparties, foreign exchange spot and forward rates, and forward rate curves of the underlying commodity.

37 Financial risk management (continued)

The table below presents the Group's financial assets and financial liabilities measured and recognised at fair value at 30 June 2014 and 30 June 2013.

30 June 2014	**Level 1 $M**	**Level 2 $M**	**Level 3 $M**	**Total $M**
Assets				
Forward foreign exchange contracts	-	-	-	-
Total assets	-	-	-	-
Liabilities				
Forward electricity exchange contracts	-	1.2	-	1.2
Forward foreign exchange contracts	-	1.0	-	1.0
Total liabilities	-	2.2	-	2.2
30 June 2013				
Assets				
Forward foreign exchange contracts	-	0.4	-	0.4
Total assets	-	0.4	-	0.4
Liabilities				
Forward electricity exchange contracts		0.8		0.8
Forward foreign exchange contracts		0.5		0.5
Total liabilities		1.3		1.3

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) are determined using valuation techniques.

With the exception of the table below, the fair value of financial assets and financial liabilities (including those recognised and measured at amortised cost) are assumed to approximate their fair values due to their short-term nature and/or application of floating rate interest charges. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The fair value of current interest bearing liabilities approximates the carrying amount, as the impact of discounting is not significant.

	At 30 June 2014		At 30 June 2013	
	Carrying amount $M	**Fair value $M**	**Carrying amount $M**	**Fair value $M**
Non-traded financial liabilities				
Other loans	**318.7**	**393.2**	323.9	415.5
Net assets (liabilities)	**(318.7)**	**(393.2)**	(323.9)	(415.5)

None of the above financial assets or liabilities are readily traded on organised markets in standardised form. The fair value of interest bearing financial liabilities where no market exists is based upon discounting the expected future cash flows by the current market interest rates on liabilities with similar risk profiles that are available to the Group.

38 Key management personnel disclosures

(a) Directors

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

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

(ii) *Executive Director*
P F O'Malley, Managing Director and Chief Executive Officer

(iii) *Non-Executive Directors*
R J McNeilly
Y P Tan (retired 31 October 2013)
D B Grollo
K A Dean
P Bingham-Hall
E G W Crouch, AM
L H Jones (appointed on 2 September 2013)
R Dee-Bradbury (appointed 22 April 2014)
J Bevan (appointed 12 March 2014)

(b) Other key management personnel

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

Name	*Position*
I R Cummin	Executive General Manager People and Organisation Performance
M R Vassella	Chief Executive BlueScope Australia and New Zealand
M G Barron	Chief Legal Officer and Company Secretary
S R Elias	Chief Financial Officer
S Dayal	Chief Executive NS BlueScope Coated Products
P J Finan	President Global Building Solutions
R J Moore	Chief Executive Global Building Solutions

(c) Key management personnel compensation

	Consolidated	
	2014 **$'000**	2013 $'000
Short-term employee benefits	**13,075.1**	14,191.0
Post-employment benefits	**338.1**	323.3
Other long-term benefits	**228.9**	108.2
Termination benefits	**-**	852.0
Share-based payments	**7,671.1**	7,448.7
	21,313.2	22,923.2

Detailed remuneration disclosures for directors and executives are provided in the 30 June 2014 Remuneration Report.

38 Key management personnel disclosures (continued)

(d) Loans to key management personnel

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

39 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Company, and its related practices:

(a) Audit services

	Consolidated	
	2014	2013
	$	$
Audit and review of financial statements and other audit work under the Corporations Act 2001:		
Ernst & Young (including overseas Ernst & Young firms)	**4,537,526**	4,420,655

(b) Other services

	Consolidated	
	2014	2013
	$	$
(i) Audit-related assurance services		
Ernst & Young Australian firm:		
Debt funding related assurance	**-**	634,516
(ii) Other non-audit services		
Ernst & Young Australian firm		
Tax compliance services	**16,315**	18,443
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)		
Tax compliance services	**70,337**	124,096
	86,652	777,055

40 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2014 in respect of:

(i) Outstanding legal matters

	Consolidated	
	2014	2013
	$M	$M
Contingencies for various legal disputes	**6.2**	11.2
	6.2	11.2

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.

40 Contingencies (continued)

Guarantees
In Australia, BlueScope Steel Limited has provided $103.4M (2013: $139.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of $59.6M (2013: $67.9M) 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 2014 totalled $74.6M (2013: $51.1M).

Associates and joint ventures
For contingent liabilities relating to associates and joint ventures refer to notes 46 and 47 respectively.

Taxation
The Australian Taxation Office (ATO) has issued BlueScope Steel Limited (BSL) with amended assessments in relation to a sale and leaseback transaction entered into by BSL in the 2007 income year for the purpose of raising funding of approximately $270M in connection with its general business operations. The assessments are in respect of the 2007 and 2008 income tax years for a total amount of $174.2M, including penalties and interest of approximately $65M. These assessments are based on two alternative determinations by the ATO relating, firstly, to the assessment of the gain made on the sale of the equipment and, secondly, to the denial of the deduction for lease rentals paid to the new owner of the equipment.

BSL believes that its treatment of the transaction is correct and is supported by both the existing case law and the ATO’s published ruling on sale and leaseback transactions. BSL will defend the assessments and pursue all necessary avenues of objection. However, resolution of this matter is likely to take some time. In accordance with ATO guidelines, BSL made a $21.2M part payment on 9 July 2012 pending determination of the dispute. Any amount paid will be fully refundable in the event that the matter is resolved in favour of BSL. The $21.2M continues to be recognised as a non-current tax receivable as at 30 June 2014.

If BSL is unsuccessful, BSL’s maximum liability in relation to the first assessment would be approximately $140M (including penalties and interest of $53M) and BSL’s maximum liability in relation to the second assessment (after appropriate compensatory adjustments) would be approximately $51M to $63M (including penalties and interest of $18M to $22M). BSL considers that these assessments involve mutually exclusive outcomes and that the real amount of tax in dispute relates to the second assessment.

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

(b) Contingent assets

There are no material contingent assets required for disclosure as at 30 June 2014.

41 Commitments

(a) Capital commitments

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

	Consolidated	
	2014	2013
	$M	$M
Property, plant and equipment		
Payable:		
Within one year	**77.6**	47.9
Later than one year but not later than five years	**0.5**	6.2
	78.1	54.1

Joint ventures
For commitments relating to joint ventures refer to note 47.

(b) Lease commitments: Group as lessee

(i) Non-cancellable operating leases

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

	Consolidated	
	2014	2013
	$M	$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	**115.1**	94.8
Later than one year but not later than five years	**276.4**	252.7
Later than five years	**259.9**	241.8
	651.4	589.3

(ii) Finance leases

The Group leases various property, plant and equipment with a carrying amount of $175.8M (2013: $155.9M).

The terms and conditions of other leases include varying terms, purchase options and escalation clauses. On renewal, the terms of these are renegotiated.

There are no restrictions of use placed upon the lessee by entering into any of these leases.

41 Commitments (continued)

	Notes	Consolidated 2014 $M	2013 $M
Commitments in relation to finance leases are payable as follows:			
Within one year		**27.2**	21.1
Later than one year but not later than five years		**138.0**	109.4
Later than five years		**194.4**	169.8
Minimum lease payments		**359.6**	300.3
Future finance charges		**(161.1)**	(135.1)
Recognised as a liability		**198.5**	165.2
Representing lease liabilities:			
Current	24	**9.0**	6.7
Non-current	29	**189.5**	158.4
		198.5	165.1

42 Related party transactions

(a) Parent entities

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

(b) Subsidiaries

Interests in subsidiaries are set out in note 43.

(c) Key management personnel

Disclosures relating to key management personnel is provided in note 38.

(d) Transactions with other related parties

The following transactions occurred with related parties other than key management personnel or entities related to them:

	Notes	Consolidated 2014 $M	2013 $M
Sales of goods and services			
Sales of goods to associates		**3.6**	5.4
Sales of goods to joint venture partnerships		**0.8**	0.5
Interest revenue			
Associates	5	**0.1**	0.1
Superannuation contributions			
Contributions to superannuation funds on behalf of employees		**113.1**	120.0

42 Related party transactions (continued)

(e) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties other than key management personnel:

	Notes	Consolidated 2014 $M	Consolidated 2013 $M
Current receivables (sales of goods and services)			
Joint venture partnerships		**0.9**	0.2
Current receivables (loans)			
Associates	11	**1.3**	1.2
Current payable (purchase of goods and services)			
Associates		**3.5**	3.3
Joint venture partnerships		**-**	1.8

(f) Terms and conditions

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

The terms and conditions of the tax funding agreement are set out in note 52.

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

Outstanding balances are unsecured and are repayable in cash.

Other director transactions with Group entities

Transactions with related parties of directors of wholly owned subsidiaries within the BlueScope Steel Group total $1.0M (2013: $1.2M). These transactions have been made on commercial arm's length terms and conditions.

43 Subsidiaries and non-controlling interests

(a) Significant investments in subsidiaries

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

Name of entity	**Note**	**Principle place of business**	**Equity holding 2014 %**	Equity holding 2013 %
Amari Wolff Steel Pty Ltd	(a)	Australia	**100**	100
Australian Iron & Steel Pty Ltd		Australia	**100**	100
BlueScope Distribution Pty Ltd	(a)	Australia	**100**	100
BlueScope Steel Asia Holdings Pty Ltd		Australia	**100**	100
BlueScope Steel (AIS) Pty Ltd		Australia	**100**	100
BlueScope Steel Employee Share Plan Pty Ltd		Australia	**100**	100
BlueScope Steel (Finance) Ltd		Australia	**100**	100
BlueScope Pacific Steel (Fiji) Pty Limited	(a) (e)	Australia	**100**	100
BlueScope Steel Americas Holdings Pty Ltd		Australia	**100**	100
BlueScope Pty Ltd		Australia	**100**	100
BlueScope Solutions Holdings Pty Ltd	(a)	Australia	**100**	100
BlueScope Water Australia Pty Ltd	(a)	Australia	**100**	100
BlueScope Building and Construction Ltd	(a)	Australia	**100**	100
BlueScope Cold Form Solutions Pty Ltd	(e)	Australia	**100**	100
Glenbrook Holdings Pty Ltd		Australia	**100**	100
Fielders Manufacturing Pty Ltd	(f)	Australia	**100**	-
John Lysaght (Australia) Pty Ltd		Australia	**100**	100
Laser Dynamics Australia Pty Ltd	(a)	Australia	**100**	100
Lysaght Building Solutions Pty Ltd	(a)	Australia	**100**	100
Orrcon Distribution Pty Ltd	(a) (e)	Australia	**100**	100
Orrcon Manufacturing Pty Ltd	(a) (e)	Australia	**100**	100
Metalcorp Steel Pty Ltd	(a)	Australia	**100**	100
New Zealand Steel (Aust) Pty Ltd	(a)	Australia	**100**	100
The Roofing Centre (Tasmania) Pty Ltd	(a)	Australia	**100**	100
NS BlueScope Lysaght (Brunei) Sdn Bhd	(b)	Brunei	**30**	30
BlueScope Buildings (Guangzhou) Ltd		China	**100**	100
BlueScope Lysaght (Shanghai) Ltd		China	**100**	100
BlueScope Steel (Shanghai) Co Ltd		China	**100**	100
BlueScope Steel Investment Management (Shanghai) Co Ltd		China	**100**	100
BlueScope Lysaght (Langfang) Ltd		China	**100**	100
BlueScope Lysaght (Chengdu) Ltd		China	**100**	100
BlueScope Building Systems (Xi'an) Co Ltd		China	**100**	100
BlueScope Building Engineering and Design (Xi'an) Co.Ltd		China	**100**	100
BlueScope Steel (Suzhou) Ltd		China	**100**	100
Butler (Shanghai) Inc		China	**100**	100
Butler (Tianjin) Inc		China	**100**	100
Shanghai BlueScope Butler Construction Engineering Co. Ltd		China	**100**	100
BlueScope Lysaght Fiji Ltd		Fiji	**64**	64
BlueScope Steel North Asia Ltd		Hong Kong	**100**	100
BlueScope Steel India (Private) Ltd		India	**100**	100
PT NS BlueScope Steel Indonesia	(b)	Indonesia	**50**	50
PT NS BlueScope Lysaght Indonesia	(b)	Indonesia	**50**	50
PT BRC Lysaght Distribution	(b) (g)	Indonesia	**-**	40
BlueScope Buildings (Malaysia) Sdn Bhd	(f)	Malaysia	**100**	-
BlueScope Steel Transport (Malaysia) Sdn Bhd		Malaysia	**100**	100
NS BlueScope Engineering Systems Sdn Bhd (Malaysia)	(b)	Malaysia	**50**	50
NS BlueScope (Malaysia) Sdn Bhd	(b)	Malaysia	**50**	50
NS BlueScope Lysaght (Malaysia) Sdn Bhd	(b)	Malaysia	**30**	30
NS BlueScope Lysaght (Sabah) Sdn Bhd	(b)	Malaysia	**25**	25
NS BlueScope Asia Sdn Bhd	(b)	Malaysia	**50**	50

43 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principle place of business	Equity holding 2014 %	Equity holding 2013 %
Global BMC (Mauritius) Holdings Ltd		Mauritius	**100**	100
Butler Manufacturas S de R.L. de C.V.		Mexico	**100**	100
Butler de Mexico S. de R.L. de C.V.		Mexico	**100**	100
BlueScope Acier Nouvelle Caledonie SA	(c)	New Caledonia	**65**	65
BlueScope Steel Finance NZ Ltd		New Zealand	**100**	100
Tasman Steel Holdings Ltd		New Zealand	**100**	100
New Zealand Steel Holdings Ltd		New Zealand	**100**	100
New Zealand Steel Ltd		New Zealand	**100**	100
Pacific Steel (NZ) Limited	(e)	New Zealand	**100**	100
New Zealand Steel Development Ltd		New Zealand	**100**	100
Toward Industries Ltd		New Zealand	**100**	100
Steltech Structural Ltd		New Zealand	**100**	100
BlueScope Steel Trading NZ Ltd		New Zealand	**100**	100
New Zealand Steel Mining Ltd		New Zealand	**100**	100
Waikato North Head Mining Limited		New Zealand	**100**	100
BlueScope Steel International Holdings SA		Panama	**100**	100
BlueScope Steel Philippines Inc		Philippines	**100**	100
BlueScope Buildings (Singapore) Pte Ltd		Singapore	**100**	100
Steelcap Insurance Pte Ltd		Singapore	**100**	100
NS BlueScope Lysaght Singapore Pte Ltd	(b)	Singapore	**50**	50
NS BlueScope Pte Ltd	(b)	Singapore	**50**	50
NS BlueScope Holdings Thailand Pte Ltd	(b)	Singapore	**50**	50
BlueScope Steel Southern Africa (Pty) Ltd		South Africa	**100**	100
BlueScope Lysaght Taiwan Ltd		Taiwan	**80**	80
NS BlueScope Steel (Thailand) Ltd	(b)	Thailand	**40**	40
Steel Holdings Co Ltd	(b)	Thailand	**50**	50
NS BlueScope Lysaght (Thailand) Ltd	(b)	Thailand	**40**	40
BlueScope Buildings (Thailand) Ltd		Thailand	**80**	80
BlueScope Steel International Ltd		UK	**100**	100
ASC Profiles LLC	(b)	USA	**50**	50
BlueScope Steel Finance (USA) LLC		USA	**100**	100
BlueScope Steel Holdings (USA) Partnership		USA	**100**	100
BlueScope Steel North America Corporation		USA	**100**	100
BlueScope Steel Technology Inc		USA	**100**	100
BlueScope Steel Americas LLC		USA	**100**	100
BlueScope Steel Investments Inc		USA	**100**	100
VSMA Inc		USA	**100**	100
BIEC International Inc		USA	**100**	100
BMC Real Estate Inc		USA	**100**	100
Butler Holdings Inc		USA	**100**	100
BlueScope Construction Inc		USA	**100**	100
Butler Pacific Inc		USA	**100**	100
Steelscape LLC	(b)	USA	**50**	50
Steelscape Washington LLC	(b)	USA	**50**	50
BlueScope Buildings North America Inc		USA	**100**	100
NS BlueScope Holdings USA LLC	(b)	USA	**50**	50
BlueScope Lysaght (Vanuatu) Ltd	(c) (d)	Vanuatu	**39**	39
NS BlueScope Lysaght (Vietnam) Ltd	(b)	Vietnam	**50**	50
NS BlueScope Vietnam Ltd	(b)	Vietnam	**50**	50

All subsidiaries incorporated in Australia are members of the BlueScope Steel Ltd tax consolidated group. Refer to note 1(n).

43 Subsidiaries and non-controlling interests (continued)

(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 45.

(b) On 28 March 2013, the Group sold 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) as part of the new joint venture established between BlueScope and Nippon Steel & Sumitomo Metal Corporation. As part of the transaction the Group acquired a 50% interest respectively in each of the newly created joint venture holding entities, including NS BlueScope Lysaght Singapore Pte Ltd, NS BlueScope Holdings Thailand Pte Ltd and NS BlueScope Holdings USA LLC. These entities have been classified as controlled entities pursuant to AASB 10 *Consolidated Financial Statements* as the Group continues to retain control and therefore consolidate these investments because of it's unilateral right to appoint the CEO (and other key management personnel), approval of the operating budget and retaining significant decision making authority.

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

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

(e) The following entities changed their name during the year:

New Name	**Old Name**
Orrcon Manufacturing Pty Ltd	BlueScope Building Solutions Pty Ltd
Orrcon Distribution Pty Ltd	Metalcorp Manufacturing Pty Ltd
Pacific Steel (NZ) Limited	Glenbrook Representatives Ltd
BlueScope Pacific Steel (Fiji) Pty Limited	BlueScope Steel Logistics Co Pty Ltd
BlueScope Cold Form Solutions Pty Ltd	Lysaght Design and Construction Pty Ltd

(f) New entities established during the year.

(g) Entity was liquidated on 2 January 2014.

43 Subsidiaries and non-controlling interests (continued)

(b) Transactions with non-controlling interests

(i) On 16 August 2012, the Company acquired the remaining 40% interest of BlueScope Steel Malaysia for a purchase consideration of $68.7M.

(ii) On 28 March 2013, BlueScope and Nippon Steel and Sumitomo Metal Corporation formed a joint venture partnership, resulting in the sale of 50% of its interest in ASEAN Building products businesses (Indonesia, Malaysia, Thailand, Vietnam, Singapore and Brunei) and North America (Steelscape and ASC Profiles) for a sale consideration of $551.4M. As part of this transaction, the Group acquired an additional 5% interest in BlueScope Steel Thailand and BlueScope Lysaght Thailand.

Transactions with non-controlling interests that do not result in a loss of control are treated as transactions with equity owners of the Group. Any difference between the amount of adjustment to non-controlling interests and consideration paid or received, net of transaction costs, is recognised in a separate reserve within equity.

The net effect of changes in the ownership interest of these entities on the equity attributable to the owners of BlueScope Steel Limited is summarised as follows:

	Consolidated	
	2014	2013
	$M	$M
(i) Controlled entity acquisition reserve		
Opening balance	**(21.9)**	-
Carrying amount of non-controlling interests acquired	**-**	45.7
Consideration paid to non-controlling interests	**-**	(89.3)
Transaction costs	**-**	(0.2)
Amount recognised in non-controlling interests reserve within equity	**(21.9)**	(43.8)
Partial disposal of subsidiaries	**-**	21.9
Closing balance	**(21.9)**	(21.9)

	Consolidated	
	2014	2013
	$M	$M
(ii) Cash flow reconciliation		
Consideration received from non-controlling interests	**2.4**	551.4
Consideration paid to non-controlling interests	**-**	(89.3)
Transaction costs - non-controlling interest purchases	**(0.8)**	(0.2)
Transaction costs - non-controlling interest sale	**-**	(23.0)
Cash inflow - financing activities	**1.6**	438.9

43 Subsidiaries and non-controlling interests (continued)

	Consolidated	
	2014 $M	2013 $M
(iii) Gain on sale reconciliation - Asset realisation reserve		
Consideration received from non-controlling interests	**-**	551.4
Consideration transferred to non- controlling interests	**(0.3)**	-
Transaction costs - non-controlling interest sale (excluding tax)	**(3.0)**	(15.4)
Equity reserve disposal	**-**	(21.9)
Goodwill disposed	**-**	(0.7)
Net pre-tax interest in assets disposed to non-controlling interests	**-**	(329.1)
Pre-tax gain recorded in asset realisation reserve	**(3.3)**	184.3
Adjust tax:		
Tax balances disposed	**-**	15.9
Tax transaction costs	**-**	(7.6)
Tax gain recorded in asset realisation reserve	**-**	8.3
Post-tax gain/(loss) recorded in asset realisation reserve	**(3.3)**	192.6

	Consolidated	
	2014 $M	2013 $M
(iv) Non-controlling interests equity movement		
Net pre-tax assets disposed to non-controlling interests	**-**	329.1
Carrying amount of non-controlling interests acquired	**-**	(45.7)
Exchange translation	**-**	(1.6)
Amount recognised in non-controlling interests within equity	**-**	281.8

(c) Non-controlling interests (NCI)

Financial information of subsidiaries that have material non-controlling interests are provided below:

Proportion of equity interest held by non-controlling interests:	**Place of business/ country of incorporation**		
Name of entity		**2014 %**	2013 %
NS BlueScope (Steel) Thailand Ltd	Thailand	**60**	60
Steelscape LLC	USA	**50**	50

Accumulated balances of material non-controlling interest:	**2014 $M**	2013 $M
NS BlueScope (Steel) Thailand Ltd	**140.1**	150.9
Steelscape LLC	**115.6**	116.2
Profit/(loss) allocated to material non-controlling interest:		
NS BlueScope (Steel) Thailand Ltd	**25.5**	13.7
Steelscape LLC	**2.1**	0.2

43 Subsidiaries and non-controlling interests (continued)

(c) Non-controlling interests (NCI) (continued)

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

Summarised balance sheet	NS BlueScope (Steel) Thailand Ltd 30 June 2014 $M	NS BlueScope (Steel) Thailand Ltd 30 June 2013 $M	Steelscape LLC 30 June 2014 $M	Steelscape LLC 30 June 2013 $M
Current assets				
Cash and cash equivalents	**90.2**	66.6	**24.0**	7.3
Receivables	**33.9**	47.9	**61.6**	57.4
Inventories	**63.3**	72.4	**102.8**	121.6
Other	**1.1**	0.5	**1.0**	0.5
Non-current assets				
Property, plant and equipment	**135.9**	145.3	**108.6**	130.3
Intangible assets	**0.5**	0.6	**2.0**	2.1
Other	**0.9**	0.7	**2.7**	2.8
Total assets	**325.8**	334.0	**302.7**	322.0
Current Liabilities				
Payables	**84.9**	70.1	**50.6**	53.3
Provisions	**3.8**	8.6	**6.2**	4.3
Other	**0.3**	0.5	**1.6**	1.1
Non-current Liabilities				
Payables	**-**	-	**8.3**	8.3
Borrowings	**-**	-	**-**	15.1
Deferred tax liabilities	**1.0**	1.4	**-**	-
Provisions	**1.8**	1.5	**4.8**	7.4
Total liabilities	**91.8**	82.1	**71.5**	89.5
Net assets	**234.0**	251.9	**231.2**	232.5
Attributable to:				
Owners of BlueScope Steel Limited	**93.9**	101.0	**115.6**	116.2
Non-controlling interests	**140.1**	150.9	**115.6**	116.2

Summarised statement of comprehensive income	NS BlueScope (Steel) Thailand Ltd 30 June 2014 $M	NS BlueScope (Steel) Thailand Ltd 30 June 2013 $M	Steelscape LLC 30 June 2014 $M	Steelscape LLC 30 June 2013 $M
Revenue	**416.7**	390.8	**573.3**	544.9
Expenses	**(369.8)**	(343.4)	**(569.0)**	(543.3)
Profit (loss) before tax	**46.9**	47.4	**4.3**	1.6
Income tax (expense) benefit	**(4.4)**	(2.8)	**-**	-
Profit (loss) after tax	**42.5**	44.6	**4.3**	1.6
Attributable to non-controlling interests	**25.5**	13.7	**2.1**	0.2
Dividends paid to NCI	**9.2**	1.6	**-**	-

43 Subsidiaries and non-controlling interests (continued)

(c) Non-controlling interests (NCI) (continued)

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
Summarised cash flows	**30 June 2014 $M**	30 June 2013 $M	**30 June 2014 $M**	30 June 2013 $M
Cash inflow (outflow) from operating activities	**64.5**	76.9	**50.7**	1.8
Cash inflow (outflow) from investing activities	**(11.0)**	(7.7)	**2.4**	0.9
Cash inflow (outflow) from financing activities	**(27.0)**	(11.2)	**(35.5)**	2.2
Net increases/(decrease) in cash and cash equivalents	**26.5**	58.0	**17.6**	4.9

44 Business combinations

(a) Summary of acquisitions

(i) *Hills Holdings Limited Acquisitions*
On 28 February 2014, the Group acquired from Hills Holdings Limited two businesses: Orrcon, a pipe and tube manufacturer and distributor, and Fielders, a building products business for a total purchase consideration of $89.6M.

These businesses are close to BlueScope's core Australian operations with the objective of improving the efficiency with which we can serve Australian customers by further lowering costs through the integration of these businesses with our existing operations.

From the date of acquisition, Orrcon and Fielders have contributed revenues of $193.3M and earnings before interest and tax of $3.0M to the Group, which includes $1.1M of integration costs.

(ii) *OneSteel sheet and coil acquisition from Arrium*
On 1 April 2014, the Group acquired from Arrium Limited its OneSteel sheet and coil processing and distribution businesses in Sydney, Brisbane, and Adelaide for a purchase consideration of $25.7M.

Similar to the acquisitions of Orrcon and Fielders from Hills Holdings, the OneSteel Sheet and Coil business is close to BlueScope's core Australian operations and is a further step towards improving the efficiency with which we can serve Australian customers by lowering costs through the integration of these businesses with our existing operations.

From the date of acquisition, the OneSteel Sheet and Coil business has contributed revenues of $31.2M and a loss before interest and tax of $7.1M to the Group, which includes $7.8M of integration costs.

(iii) *Pacific Steel acquisition from Fletcher Steel Limited*
On 3 June 2014, the Group acquired the Auckland flat products rolling mill and wire drawing facility from Pacific Steel Group (PSG), a division of Fletcher Steel Limited, for a total purchase price of AUD 107.2M (NZD 113.9M). The acquired assets (renamed Pacific Steel) currently form part of a larger operating business which also includes a billet casting mill that supplies the feed for the acquired assets.

The acquisition of the Pacific Steel downstream assets provides an opportunity to better leverage our low cost iron sands and better serve customers with a full range of long products, together with our existing flat products.

The acquisition includes a transition period of approximately 1.5 years in which Fletcher Steel Limited will continue to operate the billet caster and sell billet to Pacific Steel. Following the transition period Fletcher Steel Limited will permanently close its steel making operation and billet feed will be supplied by New Zealand Steel via a newly constructed billet caster.

From the date of acquisition, Pacific Steel has contributed revenues of AUD 20.7M and a loss before interest and tax of AUD 0.8M to the Group which includes AUD 1.1M of integration costs.

44 Business combinations (continued)

Details of the purchase consideration and the net assets acquired for the above acquisitions are as follows:

	Orrcon & Fielders $M	OneSteel Sheet & Coil $M	Pacific Steel $M	Total $M
Purchase consideration (b)				
Cash paid	89.6	25.7	25.5	140.8
Contingent consideration	-	-	6.4	6.4
Deferred consideration	-	-	75.3	75.3
Total purchase consideration	**89.6**	**25.7**	**107.2**	**222.5**
Fair value of net identifiable assets acquired (c)	97.7	25.7	107.2	230.6
Goodwill/ (Discount on acquisition) (i)	**(8.1)**	-	-	**(8.1)**

(i) The discount on acquisition is included in other income in the statement of comprehensive income for the year ending 30 June 2014. Refer to note 6.

(b) Purchase consideration - cash outflow

	Consolidated 2014 $M
Outflow of cash to acquire subsidiaries, net of cash acquired	
Purchase consideration	**222.5**
Add: Acquisition costs (i)	**12.8**
Less: Deferred purchase consideration payments (ii)	**(75.3)**
Less: Contingent consideration liability (iii)	**(6.4)**
Cash consideration	**153.6**
Less: Cash balances acquired	**-**
Outflow of cash	**153.6**

(i) Acquisition-related costs of $12.8M are included in other expenses in profit or loss and in investing cash flows in the statement of cash flows.

(ii) The purchase consideration for Pacific Steel consists of $26.8M deferred payment due at the end of the transition period, representing 50% of consideration for acquired assets and $48.5M for acquisition of working capital to be paid by September 2014. The discount rate used to determine the fair value of the deferred payment at acquisition is 3.4%.

(iii) As part of the purchase agreement with Fletchers Steel Limited, a contingent consideration has been agreed. There will be additional cash payments which will include an estimate of earnings to be shared with Fletchers during the transition period. In the event that actual earnings are greater or less than forecast profit share earnings, this variance will be recorded to the profit or loss. The estimated range of payment outcomes is from $4.3M (NZD 4.4M) to $8.8M (NZD 10.0M).

44 Business combinations (continued)

(c) Provisional assets acquired and liabilities assumed

The identifiable net assets recognised on acquisition as set out below are based on provisional assessment of their fair value as the measurement period covers up to 12 months from acquisition date.

	Orrcon & Fielders $M	OneSteel Sheet & Coil $M	Pacific Steel $M	Total $M
Assets				
Trade receivables	64.2	-	36.1	100.3
Inventories	71.0	23.8	18.0	112.8
Property, plant and equipment (note 19)	-	4.1	21.3	25.4
Intangible assets (note 21)	-	-	32.8	32.8
Deferred tax (note 20)	5.8	2.8	4.3	12.9
Other assets	2.0	-	0.1	2.1
	143.0	**30.7**	**112.6**	**286.3**
Liabilities				
Payables	(28.9)	-	(2.4)	(31.3)
Employee benefits provisions	(8.9)	(1.6)	(2.4)	(12.9)
Other provisions (note 31)	(7.5)	(3.4)	(0.6)	(11.5)
	(45.3)	**(5.0)**	**(5.4)**	**(55.7)**
Total identifiable net assets at fair value	**97.7**	**25.7**	**107.2**	**230.6**
Goodwill/ (Discount on acquisition)	(8.1)	-	-	(8.1)
Purchase consideration transferred	**89.6**	**25.7**	**107.2**	**222.5**

The $8.6M of deferred tax asset recognised on the Australian acquisitions relating to temporary differences on accounting provisions and acquisition costs has been subsequently impaired to the profit and loss as it is not probable of realisation given the significant unbooked tax losses residing within the Australian tax group (refer to note 8(e)).

45 Deed of cross - guarantee

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

BlueScope Steel Limited
New Zealand Steel (Aust) Pty Ltd
Lysaght Building Solutions Pty Ltd
BlueScope Pacific Steel (Fiji) Pty Limited (former name BlueScope Steel Logistics Co Pty Ltd)
The Roofing Centre (Tasmania) Pty Ltd
Glenbrook Holdings Pty Ltd (a)
BlueScope Cold Form Solutions Pty Ltd (former name Lysaght Design and Construction Pty Ltd)
Amari Wolff Steel Pty Ltd
BlueScope Building and Construction Ltd (former name BlueScope Building Solutions Pty Ltd)
BlueScope Distribution Pty Ltd
Metalcorp Steel Pty Ltd
Orrcon Distribution Pty Ltd (former name Metalcorp Manufacturing Pty Ltd)
BlueScope Construction Ltd
Orrcon Manufacturing Pty Ltd (former name BlueScope Building Solutions Pty Ltd) (a)
BlueScope Water Australia
BlueScope Solutions Holdings Pty Ltd
Laser Dynamics Australia Pty Ltd
Fielders Manufacturing Pty Ltd (b)

(a) These entities are in the process of being removed from the deed of cross-guarantee.

(b) Fielders Manufacturing Pty Ltd entered into the deed of cross-guarantee on 25 June 2014.

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 as at 30 June 2014, however is denied Class Order 98/1418 relief due to direct ownership being held from outside of the closed group.

45 Deed of cross - guarantee (continued)

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

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

Set out below is a consolidated income statement and a summary of movements in consolidated retained earnings for the year ended 30 June 2014 of the closed group.

	2014 $M	Restated* 2013 $M
Statement of comprehensive income		
Revenue	**3,477.3**	3,107.1
Other income	**10.0**	597.8
Changes in inventories of finished goods and work in progress	**(12.1)**	20.4
Raw materials and consumables used	**(2,178.5)**	(1,997.2)
Employee benefits expense	**(595.7)**	(536.6)
Depreciation and amortisation expense	**(74.0)**	(78.0)
Net impairment (charge) write-back of non-current assets	**2.5**	32.2
Freight on external despatches	**(189.1)**	(164.4)
External services	**(290.0)**	(271.7)
Finance costs	**(113.7)**	(124.9)
Carbon emission expense	**(3.2)**	(2.9)
Share of net profits of associate	**0.1**	-
Other expenses	**(37.8)**	(30.6)
Profit (loss) before income tax	**(4.2)**	551.2
Income tax (expense) benefit	**(73.2)**	(114.0)
Net profit (loss) for the period	**(77.4)**	437.2
Items that may be reclassified to profit or loss		
Actuarial gain (loss) on defined benefit superannuation plans	**14.4**	38.9
Total comprehensive income (loss) for the period	**(63.0)**	476.1
Summary of movements in consolidated retained profits		
Retained profits (losses) at the beginning of the financial year	**(896.4)**	(1,372.5)
Net profit (loss) for the year	**(77.4)**	437.2
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**14.4**	38.9
Retained profits (losses) at the end of the financial year	**(959.4)**	(896.4)

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

The Australian consolidated tax group has recognised a $84.6M deferred tax asset at 30 June 2014 (2013: $84.6M). The Australian consolidated tax group has incurred losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of the temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

45 Deed of cross - guarantee (continued)

(b) Statement of financial position

Set out below is a consolidated statement of financial position as at 30 June 2014 of the closed group.

	2014 $M	2013 $M
Current assets		
Cash and cash equivalents	**27.6**	40.7
Trade and other receivables	**3,747.3**	3,166.8
Inventories	**565.9**	463.6
Other	**12.1**	8.3
Total current assets	**4,352.9**	3,679.4
Non-current assets		
Receivables	**-**	20.8
Inventories	**16.3**	18.4
Other financial assets	**1,673.5**	1,588.1
Property, plant and equipment	**605.5**	682.7
Deferred tax assets	**84.6**	84.6
Tax receivable	**18.3**	18.3
Intangible assets	**82.6**	110.2
Other	**5.0**	-
Total non-current assets	**2,485.8**	2,523.1
Total assets	**6,838.7**	6,202.5
Current liabilities		
Payables	**843.0**	737.6
Borrowings	**1,908.1**	1,348.3
Provisions	**200.8**	163.0
Deferred income	**9.3**	8.6
Total current liabilities	**2,961.2**	2,257.5
Non-current liabilities		
Borrowings	**20.5**	20.4
Provisions	**93.8**	77.5
Retirement benefit obligations	**12.3**	27.8
Deferred income	**3.5**	24.5
Total non-current liabilities	**130.1**	150.2
Total liabilities	**3,091.3**	2,407.7
Net assets	**3,747.4**	3,794.8
Equity		
Contributed equity	**4,659.4**	4,650.1
Reserves	**47.4**	41.1
Retained profits	**(959.4)**	(896.4)
Total equity	**3,747.4**	3,794.8

46 Investments in associates

Name of company

	Principal Place of Business	Ownership interest 2014 %	2013 %
Saudi Steel Building Manufacturing Company	Saudi Arabia	**30**	30
Saudi Building Systems Ltd	Saudi Arabia	**30**	30
NS BlueScope Lysaght (Sarawak) Sdn Bhd	Malaysia	**25**	25
SteelServ Limited	New Zealand	**50**	50
McDonald's Lime Ltd	New Zealand	**28**	28
BlueScope Bartlett Liners Pty Ltd	Australia	**50**	50

(a) Movements in carrying amounts

	Consolidated 2014 $M	2013 $M
Carrying amount at the beginning of the financial year	**12.3**	13.1
Share of profits after income tax	**5.1**	3.1
Dividends received/receivable	**(3.3)**	(3.6)
Sale of investment (i)	**-**	(1.3)
Impairment of investment (ii)	**(2.8)**	-
Currency fluctuation	**0.9**	0.8
Reserve movements	**(0.2)**	0.2
Carrying amount at the end of the financial year	**12.0**	12.3

(i) On 28 March 2013, the Group sold 50% of its interest in the equity accounted investment in BlueScope Lysaght (Sarawak) Sdn Bhd as part of the joint venture established with Nippon Steel and Sumitomo Metal Corporation. As part of this transaction, the entity changed its name to NS BlueScope Lysaght (Sarawak) Sdn Bhd.

(ii) At 30 June 2014, within the Global Building Solutions segment, BlueScope Water Australia impaired its 50% equity accounted investment in BlueScope Barlett Liners Pty Ltd for $2.8M, as a result of challenging market conditions.

(b) Contingent liabilities relating to associates

There were no contingent liabilities relating to investments in associates.

47 Interests in joint ventures

(a) Joint ventures

The Group has a 50% interest in North Star BlueScope Steel LLC, a USA resident, the principal activity of which is to manufacture hot rolled steel products. The Group also has a 50% interest in Tata BlueScope Steel Ltd, an Indian resident, the principal activity of which is to manufacture steel products and pre-engineered steel building systems. The joint venture also includes a recently established metal coating and painting line.

The interest in North Star BlueScope Steel and Tata BlueScope Steel is accounted for in the consolidated financial statements using the equity method of accounting (refer to note 18). Information relating to the joint venture partnerships is set out below.

	North Star BlueScope Steel		Tata BlueScope Steel		Consolidated	
	2014 $M	2013 $M	**2014 $M**	2013 $M	**2014 $M**	2013 $M
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	**16.4**	23.6	**2.9**	4.2	**19.3**	27.8
Receivables	**141.9**	123.0	**44.9**	48.2	**186.8**	171.2
Inventories	**82.4**	73.6	**38.3**	46.0	**120.7**	119.6
Other	**0.7**	0.8	**-**	-	**0.7**	0.8
Non-current assets						
Property plant and equipment	**131.7**	138.6	**188.4**	202.8	**320.1**	341.4
Intangible assets	**-**	-	**-**	0.2	**-**	0.2
Other	**0.4**	0.2	**0.1**	-	**0.5**	0.2
Total assets	**373.5**	359.8	**274.6**	301.4	**648.1**	661.2
Current liabilities						
Payables	**85.7**	87.4	**77.6**	66.4	**163.3**	153.8
Provisions	**27.4**	28.2	**2.7**	2.6	**30.1**	30.8
Non-current liabilities						
Payables	**0.2**	0.4	**-**	-	**0.2**	0.4
Borrowings	**53.6**	54.0	**147.5**	168.6	**201.1**	222.6
Total liabilities	**166.9**	170.0	**227.8**	237.6	**394.7**	407.6
Net assets	**206.6**	189.8	**46.8**	63.8	**253.4**	253.6
Proportion of the Group's ownership (%)	**50.0**	50.0	**50.0**	50.0	**50.0**	50.0
Carrying amount of the investment	**103.3**	94.9	**23.4**	31.9	**126.7**	126.8
Summarised statement of profit or loss:						
Revenues	**1,487.8**	1,241.4	**267.8**	215.2	**1,755.6**	1,456.6
Expenses	**(1,261.1)**	(1,089.0)	**(248.6)**	(206.2)	**(1,509.7)**	(1,295.2)
Depreciation and amortisation expense	**(15.1)**	(12.3)	**(14.1)**	(14.0)	**(29.2)**	(26.3)
Finance costs	**(0.8)**	(0.9)	**(21.5)**	(22.2)	**(22.3)**	(23.1)
Profit (loss) before income tax	**210.8**	139.2	**(16.4)**	(27.2)	**194.4**	112.0
Income tax (expense) benefit	**-**	-	**-**	-	**-**	-
Group's share of profit/(loss) for the year	**105.4**	69.6	**(8.2)**	(13.6)	**97.2**	56.0
Capital commitments	**-**	-	**0.2**	0.4	**0.2**	0.4
Group's share of capital commitments	**-**	-	**0.1**	0.2	**0.1**	0.2

47 Interests in joint ventures (continued)

(b) Contingent liabilities relating to joint ventures

Tata BlueScope Steel have imported goods under the Export Promotion Capital Goods Scheme (EPCG), under the Government of India, at the concessional rates of duty with an obligation to fulfill the specified exports. Failure to meet this export obligation within the stipulated timeframe as per Foreign trade policy 2004-09 would result in payment of the aggregate differential duty saved along with interest there on. Tata BlueScope Steel is confident of meeting the obligation and the item continues to be disclosed as a contingent liability as at 30 June 2014. BlueScope's 50% share of this contingent liability is AUD $6.3M (2013: $6.4M).

(c) Secured liabilities and assets pledged as security

The Tata BlueScope Steel borrowings are secured against property, plant and equipment.

(d) Impairment losses

Impairment losses of $1.6M (2013: $2.1M) were recognised in relation to the Group's investment in Castrip LLC (refer to note 7). The Group's 47.5% interest in Castrip resides within the Hot Rolled Products North America segment and has a carrying value of $Nil (2013: $Nil).

48 Reconciliation of loss after income tax to net cash inflow from operating activities

	Consolidated	
		Restated*
	2014	2013
	$M	$M
Loss for the year	**(40.2)**	(85.6)
Depreciation and amortisation	**327.6**	315.6
Net impairment charge of non-current assets	**2.3**	2.6
Non-cash employee benefits expense - share-based payments	**14.4**	11.5
Net (gain) loss on sale of non-current assets	**(3.5)**	(37.3)
Share of (profits) losses of associates and joint venture partnership	**(102.3)**	(59.1)
Associate and joint venture partnership dividends received	**98.4**	58.6
Bargain purchase gain	**(8.1)**	-
Change in operating assets and liabilities:		
Decrease (increase) in trade debtors	**(54.2)**	72.0
Decrease (increase) in other debtors	**17.8**	(12.7)
Decrease (increase) in other operating assets	**5.1**	(33.4)
Decrease (increase) in inventories	**(24.7)**	25.6
Increase (decrease) in trade creditors	**81.1**	(49.8)
Increase (decrease) in other creditors	**14.2**	1.5
Increase (decrease) in borrowing costs payable	**7.9**	(13.2)
Increase (decrease) in income taxes payable	**1.5**	(20.7)
Increase (decrease) in deferred tax balances	**36.1**	(14.2)
Increase (decrease) in other provisions and liabilities	**7.0**	20.2
Other variations	**26.7**	(20.6)
Net cash inflow (outflow) from operating activities	**407.1**	161.0

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

49 Non-cash investing and financing activities

	Consolidated	
	2014	2013
	$M	$M
Acquisition of plant and equipment by means of finance leases (i)	**29.1**	33.5

(i) New Zealand Steel entered into a finance lease agreement for the construction of a new Air Separation Unit (ASU) and has recognised the remaining 50% of the value of the finance lease of NZD 31.4M as at 30 June 2014.

(ii) There were no dividends paid in the current period.

(iii) Details of share-based payments are shown in note 51.

50 Earnings (loss) per share

(a) Basic earnings (loss) per share

	Consolidated	
		Restated*
	2014	2013
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(14.8)**	(19.4)
From discontinued operations	**-**	0.3
Total basic earnings (loss) per share attributable to the ordinary equity holders of the Company	**(14.8)**	(19.1)

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

(b) Diluted earnings (loss) per share

	Consolidated	
		Restated*
	2014	2013
	Cents	Cents
From continuing operations attributable to the ordinary equity holders of the Company	**(14.8)**	(19.4)
From discontinued operations	**-**	0.3
Total diluted earnings (loss) per share attributable to the ordinary equity holders of the Company	**(14.8)**	(19.1)

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

50 Earnings (loss) per share (continued)

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

	Consolidated	
		Restated*
	2014	2013
	$M	$M
Basic and diluted earnings (loss) per share		
Profit (loss) attributable to the ordinary equity holders of the Group used in calculating basic earnings (loss) per share:		
From continuing operations	**(82.1)**	(108.8)
From discontinued operations	**(0.3)**	1.7
	(82.4)	(107.1)

* Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee Benefits* standard, refer note 1.

(d) Weighted average number of shares used as denominator

	Consolidated	
	2014	2013
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings (loss) per share	**558,640,171**	558,243,305
Adjustments for calculation of diluted earnings (loss) per share:		
Weighted average number of share rights	**14,922,525**	11,869,595
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings (loss) per share	**573,562,696**	570,112,900

(e) Earnings (loss) per share restated

In accordance with AASB 133 *Earnings per Share*, the comparative earnings (loss) per share calculations have been restated for the retrospective adjustment made to the comparative reported net loss for the period arising from the adoption of the revised AASB 119 Employee Benefits standard (refer to note 1).

(f) Information on the classification of securities

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

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

Share rights granted to eligible senior managers under the Long Term Incentive Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent that they are expected to vest based on current TSR (Total Shareholder Return) ranking as per the 30 June 2014 Remuneration Report. Details relating to the share rights are set out in note 51.

There are 1,880,814 share rights relating to the 2009 and 2010 LTIPs that are not included in the calculation of diluted earnings per share because they are not dilutive for the year ended 30 June 2014. These share rights could potentially dilute basic earnings per share in the future.

51 Share-based payments

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

Information relating to these schemes is set out below. Further information is provided in the 30 June 2014 Remuneration Report. Refer to note 1(y)(iv) for the share-based payments accounting policy.

(a) The Long Term Incentive Plan

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

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

Plans have been granted to senior management, all at $Nil exercise price, as outlined below. Further details of each award is provided in the 30 June 2014 Remuneration Report.

Movement of LTIP share and cash rights during the year

Grant date	Expiry date	Balance at start of the year	Other changes	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Exercisable at end of the year
		Number	Number	Number	Number	Number	Number	Number
2014								
28 Nov 2008	27 Oct 2013	215,861	-	-	-	(215,861)	-	-
30 Nov 2009	31 Oct 2014	903,604	-	-	-	(21,400)	882,204	-
30 Nov 2010	31 Oct 2015	1,365,667	-	-	-	(243,388)	1,122,279	-
16 Apr 2012	31 Jan 2015	6,850,208	-	-	-	(258,180)	6,592,028	-
1 Sep 2012	31 Oct 2015	842,116	-	-	-	-	842,116	-
1 Sep 2012	31 Oct 2017	1,367,464	-	-	-	-	1,367,464	-
1 Sep 2013	31 Oct 2017	-	-	872,450	-	-	872,450	-
14 Nov 2013	31 Oct 2017	-	-	568,126	-	-	568,126	-
		11,544,920	-	1,440,576	-	(738,829)	12,246,667	-

Grant date	Expiry date	Balance at start of the year Number	Other changes Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2013								
5 Nov 2007	31 Oct 2012	843,719	(703,099)	-	-	(140,620)	-	-
14 Nov 2007	31 Oct 2012	231,053	(192,544)	-	-	(38,509)	-	-
28 Nov 2008	27 Oct 2013	1,513,396	(1,261,163)	-	-	(36,372)	215,861	-
30 Nov 2009	31 Oct 2014	7,081,431	(5,901,193)	-	-	(276,634)	903,604	-
30 Nov 2010	31 Oct 2015	9,056,181	(7,546,818)	-	-	(143,696)	1,365,667	-
16 Apr 2012	31 Jan 2015	46,313,440	(38,594,533)	-	-	(868,699)	6,850,208	-
1 Sep 2012	31 Oct 2015	-	-	842,116	-	-	842,116	-
1 Sep 2012	31 Oct 2017	-	-	1,367,464	-	-	1,367,464	-
		65,039,220	(54,199,350)	2,209,580	-	(1,504,530)	11,544,920	-

51 Share-based payments (continued)

The average share price during the period for the year ended 30 June 2014 was $5.52 (30 June 2013: $3.46).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 1.4 years (30 June 2013: 2.1 years).

Fair value of share rights granted

The assessed fair value at grant date of share rights granted during the year ended 30 June 2014 is detailed below. The fair value at grant date is independently determined for each award using Black-Scholes option pricing model that includes a Monte Carlo simulation analysis. Standard option pricing inputs include underlying share price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account.

The fair value inputs for share rights granted during the years ended 30 June 2014 and 30 June 2013 included:

Plan Details	**November 2013**	**September 2013**	**September 2012**
Exercise price ($)	Nil	Nil	Nil
Grant date	14 November 2013	1 September 2013	1 September 2012
Latest expiry date	31 October 2017	31 October 2017	31 October 2015
Share rights granted	568,126	722,135	695,449
Cash rights (i)	-	150,315	146,667
Fair value estimate at grant date ($)	3.51	3.30	1.01
Vesting conditions (ii)	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 (%)	3.00	3.00	2.50
Expected risk-free interest rate (%)	3.30	2.96	2.52
Expected share price volatility (%)	45.00	45.00	45.00
Grant date share price ($)	5.29	5.00	2.01

(i) The cash rights have been issued to eligible employees in Asia who are entitled to receive cash bonuses three years from grant date, in place of shares. The fair value of the cash rights is calculated as the sum of the market value of shares and dividends that would have otherwise been received.

(i) The number of rights that vest under each plan are contingent on BlueScope Steel's TSR percentile ranking. The TSR ranking requirements differ for each plan. For further details of vesting conditions refer to the 30 June 2014 Remuneration Report.

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

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

(b) General Employee Share Plans

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

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

51 Share-based payments (continued)

The allocation of GESPs is considered on a year by year basis. At 30 June 2014 the following share plan was outstanding:

(i) *April 2012 General Employee Share Plan (GESP)*
Under the April GESP 2012 an immediate grant of 1,000 BlueScope Steel shares, at no cost to the employee, were made to 10,010 employees. These shares were purchased on market equivalent price, at a total cost of $4.1M (average $0.41 per share). In those countries where it is either not possible or practical to grant shares, 3,170 employees will receive a future cash payment approximately equivalent to the value of 1,000 BlueScope Steel shares ($0.9M). The Company also offered a total of 2,280,000 ($1.6M) deferred GESP shares to New Zealand, Malaysia and Thailand employees, to be issued in three years from the date of grant and subject to forfeiture.

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

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

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

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

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

(c) Other share grants and rights

(i) *CEO share rights*
On 1 September 2012 1,367,464 Share Rights were granted to Mr Paul O'Malley, Managing Director and Chief Executive Officer, under the existing terms of his LTI plan. No Share rights will vest unless the share price is at least $2.40, the price offered to shareholders at the time of the capital raising in November 2011. On 14 November 2013, 568,126 Share Rights were granted to Mr Paul O'Malley. The new LTI plan is more restrictive than previous awards with only one retest, a reduction in the number of shares that will vest at the 51st percentile of relative ASX100 TSR performance from 52% to 40%.

(ii) *Retention equity*
The board has awarded retention shares to limited number of executives throughout the Company, where their retention is particularly critical to the successful delivery of business strategy. Retention rights have a retention hurdle of three years from the time of award. These will lapse in circumstances of resignation or termination for cause. The Board retains discretion in other circumstances. Further detail of each award is provided in the 30 June 2014 Remuneration report.

51 Share-based payments (continued)

Movement of Retention share and cash rights during the year

Grant date	Expiry date	Balance at start of the year Number	Other changes Number[1]	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2014								
12 Nov 2013	31 Aug 2016	-	-	2,115,970	-	(7,664)	2,108,306	-
1 Sep 2012	31 Oct 2015	631,585	-	-	-	-	631,585	-
20 Dec 2012	31 Oct 2015	4,240,540	-	-	-	(13,000)	4,227,540	-
1 Jul 2011	30 Jun 2014	494,955	-	-	-	-	494,955	-
29 Mar 2011	28 Mar 2014	573,017	-	-	(556,500)	(16,517)	-	-
29 Mar 2011	28 Mar 2014	178,921	-	-	(174,754)	(4,167)	-	-
		6,119,018	-	2,115,970	(731,254)	(41,348)	7,462,386	-

Grant date	Expiry date	Balance at start of the year Number	Other changes Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Exercisable at end of the year Number
2013								
1 Sep 2012	31 Oct 2015	-	-	631,585	-	-	631,585	-
20 Dec 2012	31 Oct 2015	-	-	4,240,540	-	-	4,240,540	-
1 Jul 2011	30 Jun 2014	533,683	-	-	-	(38,728)	494,955	-
29 Mar 2011	28 Mar 2014	632,500	-	-	-	(59,483)	573,017	-
29 Mar 2011	28 Mar 2014	194,417	-	-	-	(15,496)	178,921	-
		1,360,600	-	4,872,125	-	(113,707)	6,119,018	-

(d) The Employee Share Purchase Plan

The Employee Share Purchase Plan (ESPP) provides facilities for Australian employees to purchase shares at market prices through salary sacrifice of STI bonus payments. The Company has had an ESPP in place since 2003. Under the plan, shares can be provided on a tax deferred basis and therefore sale or transfer is restricted. Shares provided under the plan are entitled to participate in dividends and rank equally with other fully paid ordinary shares on issue (refer to note 34(d)). No employee benefit expense is recognised in respect of the ESPP other than the administrative costs of the plan, which are met by the Company.

(e) Expense arising from share-based payment transactions

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

	Consolidated	
	2014 **$M**	2013 $M
Employee share rights expense	**14.2**	11.3
Employee share awards expense	**0.2**	0.2
Total expense arising from share-based payments	**14.4**	11.5

The carrying amount of the liability relating to share-based payment plans at 30 June 2014 is $5.5M (30 June 2013: $2.6M). This liability represents the deferred cash amounts payable under LTIPs, Retention schemes and GESPs.

52 Parent entity financial information

(a) Summary financial information

The financial statements for the parent entity, BlueScope Steel Limited, show the following aggregate amounts:

Statement of financial position

	2014 $M	2013 $M
Current assets		
Cash and cash equivalents	**2.4**	1.2
Trade and other receivables	**3,476.6**	2,905.5
Inventories	**293.1**	286.2
Other	**9.6**	7.1
Total current assets	**3,781.7**	3,200.0
Non-current assets		
Receivables	**-**	20.8
Tax receivable	**18.3**	18.3
Inventories	**16.3**	18.4
Other financial assets	**1,574.1**	1,565.1
Property, plant and equipment	**602.0**	622.2
Intangible assets	**39.7**	44.2
Deferred tax assets	**84.6**	84.6
Other	**5.0**	-
Total non-current assets	**2,340.0**	2,373.6
Total assets	**6,121.7**	5,573.6
Current liabilities		
Payables	**340.2**	326.7
Borrowings	**1,815.5**	1,234.4
Provisions	**149.3**	126.4
Deferred income	**3.0**	4.4
Total current liabilities	**2,308.0**	1,691.9
Non-current liabilities		
Borrowings	**12.2**	12.2
Provisions	**54.6**	56.4
Retirement benefit obligations	**12.2**	27.6
Other	**3.5**	24.5
Total non-current liabilities	**82.5**	120.7
Total liabilities	**2,390.5**	1,812.6
Net assets	**3,731.2**	3,761.0
Equity		
Contributed equity	**4,659.4**	4,650.1
Reserves	**47.4**	41.1
Retained profits	**(975.6)**	(930.2)
Total equity	**3,731.2**	3,761.0

BlueScope Steel Limited is the head entity in the Australian tax consolidated Group (note 1(n)). The Australian consolidated tax group has recognised a $84.6M deferred tax asset at 30 June 2014 (2013: $84.6M). The Australian consolidated tax group has incurred losses in the current and preceding periods. The utilisation of this deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of the temporary differences. The Group believes this amount to be recoverable based on taxable income projections.

52 Parent entity financial information (continued)

Statement of comprehensive income

	2014 $M	Restated* 2013 $M
Revenue	**2,463.7**	2,160.8
Other Income	**3.2**	597.3
Changes in inventories of finished goods and work in progress	**(23.5)**	34.3
Raw materials and consumables used	**(1,420.6)**	(1,286.3)
Employee benefits expense	**(420.5)**	(402.9)
Depreciation and amortisation expense	**(61.0)**	(63.9)
Net impairment (charge) write-back of non-current assets	**(4.3)**	24.2
Freight on external despatches	**(156.2)**	(140.5)
External services	**(213.8)**	(212.7)
Restructuring costs	**(10.1)**	(2.7)
Carbon emission expense	**(3.2)**	(2.9)
Finance cost	**(106.8)**	(112.2)
Other expenses	**(36.0)**	(9.2)
Profit (loss) before income tax	**10.9**	583.3
Income tax (expense) benefit	**(70.5)**	(122.5)
Net profit (loss) for the period	**(59.6)**	460.8
Items that may be reclassified to profit or loss		
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**14.2**	38.3
Total comprehensive income for the year	**(45.4)**	499.1
Summary of movements in retained profits		
Retained earnings at the beginning of the financial year	**(930.2)**	(1,429.3)
Net profit (loss) for the year	**(59.6)**	460.8
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	**14.2**	38.3
Retained profits at the end of the financial year	**(975.6)**	(930.2)

*Certain amounts shown here do not correspond to the June 2013 financial statements and reflect adjustments required in applying the revised AASB 119 *Employee benefits* standard, refer to Note 1.

(b) Guarantees entered into by the parent entity

In Australia, the parent entity has given $103.4M (2013: $139.6M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance and has entered into a deed of cross-guarantee with certain Australian wholly-owned subsidiaries (note 45). Additionally, the parent entity has provided financial guarantees in respect to subsidiaries amounting to:

	Parent entity	
	2014 $M	2013 $M
Bank overdrafts and loans of subsidiaries (unsecured)	**675.0**	680.4
Other loans (unsecured)	**318.7**	323.9
Trade finance facilities	**159.3**	194.3
	1,153.0	1,198.6

52 Parent entity financial information (continued)

(c) Capital commitments

As at 30 June 2014, the parent entity had capital commitments of $6.1M (June 2013: $8.5M). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(d) Tax consolidation legislation

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

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

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

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

The tax consolidated group has applied the group allocation approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. Intercompany receivables of $40.1M (2013: $31.5M) and intercompany payables of $108.5M (2013: $98.5M) of BlueScope Steel Limited have been recognised as a tax consolidated adjustment.

53 Events occurring after balance date

The Australian Federal Government abolished the Australian Carbon Pricing Mechanism and the Steel Transformation Plan (STP), effective 1 July 2014. Refer to note 3(i) and note 16.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 108 are in accordance with the *Corporations Act 2001*, including:
  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date, and

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

(c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in note 45 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 45.

(d) The financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001.*

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

G J Kraehe, AO
Chairman

Paul O'Malley

P F O'Malley
Managing Director & CEO

Melbourne
25 August 2014

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Independent auditor's report to the members of BlueScope Steel Limited

Report on the financial report

We have audited the accompanying financial report of BlueScope Steel Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1(a)(i), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

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Opinion

In our opinion:

a. the financial report of BlueScope Steel Limited is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a)(i).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of BlueScope Steel Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Rodney Piltz
Partner
Melbourne
25 August 2014

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