



Annual Report

2015/2016





CHAIRMAN'S MESSAGE



DEAR SHAREHOLDER

BlueScope's performance continued to strengthen in the 2016 financial year, demonstrating that the Company is well and truly delivering on its strategic priorities.

I thank our loyal shareholders who have followed our journey of rebuilding the Company, in the face of continuing over-supply and volatility in the global steel sector. BlueScope's earnings performance has been delivered through a laser-like focus on cost competitiveness, investment in innovation, and strong balance sheet management.

This is my first letter to you as Chairman, so let me state at the outset, that under my watch, BlueScope will continue to always behave in a safe and responsible manner, that reflects the values we have outlined in Our Bond – a document defining our relationships with our shareholders, our customers, our employees and our communities.

BlueScope will always be prepared and confident in our ability to address whatever challenges the global steel sector poses. And it will commit to achieving superior performance and returns for our shareholders through the business cycle.

GLOBAL STEEL SECTOR

The context for this year's annual report to shareholders is a global steel sector that has rarely been more volatile. Steel spreads (the margin between steel prices and raw material input costs) have hit record lows per tonne, and global capacity utilisation has been as low as mid-60 per cent (ie 35 per cent overcapacity) during this financial year.

On the one hand, multilateral and bilateral free trade agreements abound, while on the other, protectionist trade barriers are being erected. It's a complex and ever-changing world economy. BlueScope operates in 17 countries around the world, and so we must constantly monitor and adapt our businesses to these market forces – within the context of our overall strategy, and with a long-term, prudent mindset.

In the early part of FY2016 in Australia, these difficult market forces combined. The Company's Illawarra operations faced a critical challenge – to continue or to cease steelmaking at Port Kembla.

THE BLUESCOPE RESPONSE

This cliffhanger debate, Plan A (continue steelmaking) versus Plan B (cease steelmaking) took place in full public glare. Great commitments from a range of stakeholders (including employees, unions, and the NSW government) were required to give your Board the confidence to decide on Plan A; steelmaking could continue in the Illawarra.

It was a 50-50 decision and a very tense time. The Plan A decision saved up to 4,500 jobs in the Illawarra.

Now, less than 12 months later, because of the operating cost reductions made at Port Kembla, and also the positive earnings performance by BlueScope's businesses across our international portfolio - the Company has delivered outstanding full year results, culminating in a net profit after tax of \$353.8 million for the year.

While some might expect pause for celebration, it's not the time to be complacent. The Board is well aware of the reality, that in early 1H FY2017, global steel remains in massive oversupply. This will cause volatility in all our markets. BlueScope has proved over the past few years that it has the mettle to compete. We now need to prove ourselves again, by building on the FY2016 result, and by continuing to reinvent ourselves as one of world's most innovative and internationally competitive steel companies.

Across all our businesses, we need to embed the lessons of survival from the last 12 months at Port Kembla. BlueScope must become a synonym for "a flexible, nimble, low cost, high value steel company".

FY2016 FINANCIAL HIGHLIGHTS AND OUTLOOK

BlueScope delivered a \$353.8 million reported net profit after tax (NPAT) for FY2016 – a \$217.5 million increase on FY2015. Underlying NPAT of \$293.1 million was 119 per cent higher than FY2015.

The Company lifted underlying earnings before interest and tax (EBIT) by 89 per cent to \$570.5 million through a combination of sales growth, cost reductions and the benefit of the North Star acquisition in the US.

Net debt at 30 June 2016 was \$778.0 million, reduced by \$595.4 million from 31 December 2015 through strong operating cash flow. Leverage of 0.8 times EBITDA (EBIT, Depreciation & Amortisation) was 50 per cent less than the first-half position at 31 December 2015 of 1.6 times EBITDA. Our intention is to further reduce leverage to be sustainably below 1.0 times net debt to EBITDA.

The Board approved payment of a fully franked full year dividend of 3.0 cents per share, in line with our FY2015 final dividend.

Looking forward, the Company expects 1H FY2017 underlying EBIT to be around 50 per cent higher than 2H FY2016 underlying EBIT, which was \$340.4 million. 1H FY2017 underlying net finance costs are expected to be lower than 2H FY2016 due to lower average borrowings, underlying tax rate to be slightly higher and profit attributable to non-controlling interests similar to 2H FY2016. Expectations are subject to spread, FX and market conditions.

DELIVERY ON OUR STRATEGIC PRIORITIES

Across our global portfolio our people achieved these outstanding results while also continuing our safety journey to zero harm. Despite this improved performance, we maintain our relentless focus on cost competitiveness in the face of volatile commodity steel prices and raw material costs, and exchange rate fluctuations.

We are making good progress across each of our strategic themes.

In Coated & Painted Products:

- We have delivered 31 per cent compound annual underlying EBIT growth in our Building Products segment over the last four years. Our home appliance steels, in partnership with NSSMC, are now in production in Thailand and are gaining customer acceptance in line with our expectations. In Australia, we saw 9 per cent growth in coated and painted sales volume during the year.

- Our current focus is to further grow our business particularly in Asia, implementing our growth strategy in coated and painted products. The BlueScope Board has given in-principle approval, subject to finalisation of contracts and NS BlueScope joint venture board approval, for a third metal coating line in Thailand; the new line will deliver added capacity to meet demand in the growing retail/SME building market. Rigorous cost management remains essential and ongoing, particularly for more mature markets like Australia and New Zealand.

In BlueScope Buildings:

- We are delivering continued growth in North American earnings; in FY2016 underlying EBIT was \$40 million, up \$8 million on FY2015. We are commencing a sizeable productivity and cost-out project to drive further earnings growth whilst introducing new innovative products into the market.
- Earnings in China turned the corner in FY2016, with reduced losses at our buildings business. Our focus is to continue to improve our market and customer engagement in China.

For North Star, in FY2016 we made very good progress in maximising the value of this structurally advantaged steel making business:

- In October 2015 the Company acquired Cargill's 50 per cent of North Star, to bring BlueScope to full ownership.
- With steel spreads rising approximately 60 per cent since the acquisition, North Star had an excellent financial finish to FY2016 and is well positioned at the start of FY2017 to benefit from higher steel spreads.
- The business continues to deliver low-cost incremental volume growth initiatives.

In Australian and New Zealand steelmaking, progress on cost savings has provided the basis to continue to make steel for now. In the Illawarra, the constructive engagement by employees, the management team, union leaders, the Fair Work Commission and the New South Wales government was essential and outstanding – seeing 4,500 jobs saved, large restructuring costs avoided and positive exposure to the benefit of higher steel prices preserved.

Our pursuit of productivity improvements continues. We need to deliver returns necessary to support a decision in 10 to 15 years, to reline the blast furnace at Port Kembla. What we have achieved in the last year are essential steps toward being the competitive and profitable producer needed to support this future reinvestment opportunity.

In New Zealand, there is a long way to go on costs. We operate a small, fully integrated steelworks that has to compete on the global stage. It faces unique challenges to be cost competitive. The Company will seek to collaborate with all key stakeholders, to make our New Zealand Steel operations at Glenbrook internationally competitive and profitable.

SAFETY

BlueScope people remain focussed on our goal of Zero Harm. In the 2016 financial year, the Lost Time Injury Frequency Rate was 0.6 per million hours worked, matching the performance of the previous year. The Medical Treated Injury Frequency Rate was 5.1 per million hours worked, compared to 4.6 the previous year.

The LTIFR and MTIFR have been below 1.0 and 7.0 respectively for more than 10 years.

One of the privileges of being a member of BlueScope's Board is the opportunity to see employees at work at the Company's sites around the globe, and I am always struck by their dedication to safety at all times. During the year we visited Malaysia, where we used a new online reporting system to conduct safety audits on site. In Thailand we saw product and roof fixing training delivered by the BlueScope Mobile Training Centre, a BlueScope initiative to help make the local industry safer. It has trained over 2,500 local builders since FY2014, and is a tribute to our local team.

THE EXTERNAL ENVIRONMENT

BlueScope competes successfully on the international stage, against much larger competitors. In the current face of global steel oversupply, it's imperative governments ensure trade is both free and fair. That means ensuring Australia's World Trade Organisation (WTO)-compliant anti-dumping system operates in a timely and effective manner to deter unfair or dumped imports.

Similarly, in domestic Competition law or Environment law, for example, there should be no domestic imposts exclusively on domestic companies that, in effect, give a "leg up" to our international competitors.

The Company remains focused on improving the energy and carbon efficiency of all its operations. And we are getting on with business, when it comes to our energy efficiency and environmental responsibilities. We are strongly of the view that until such time as our major international competitors face mandatory carbon costs or limits, governments in countries such as Australia and New Zealand should not impose material carbon costs on their domestic steel and manufacturing industries.

In Australia, where there is a newly elected Parliament and new agenda, we are working with all sides of politics to ensure there are no unintended consequences from proposed public policy reform.

BOARD RENEWAL

During the FY2016 financial year the latest step in the Board renewal program conducted over recent years was completed when Graham Kraehe, AO, stepped down as Chairman at last year's Annual General Meeting in November.

Graham had a successful and distinguished career in executive and non-executive roles with a number of Australian companies. At BlueScope, Graham made an outstanding contribution to the development of the Company. He provided early insight and drive in the Company's growth into Asia, and steered the Board and management through the most significant changes the world steel industry has ever seen.

It is an honour and privilege to take over from Graham as Chairman of BlueScope. My key priorities are to support the execution of BlueScope's strategy introduced last year, and support the Company to move quickly, be more agile and innovative, and prosper in a challenging industry.

I thank my fellow Directors and BlueScope management for supporting me during this transition.

My final thanks are to all BlueScope people who continue to work with such dedication to ensure our Company has a sustainable future.

Like all shareholders, I look forward to another successful year ahead.



John Bevan
Chairman



DIRECTORS'
REPORT

Directors' Report for the year ended 30 June 2016

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 2016.

OPERATING & FINANCIAL REVIEW

FINANCIAL RESULTS

The BlueScope Steel Group comprises five reportable operating segments: Australian Steel Products (ASP); New Zealand & Pacific Steel (NZPac); BlueScope Buildings (BB); Building Products ASEAN, North America and India (BP); and Hot Rolled Products North America (HRPNA).

Table 1: Results Summary

\$M	Revenue		Reported Result ¹		Underlying Result ²	
	FY2016	FY2015 ³	FY2016	FY2015	FY2016	FY2015
Sales revenue/EBIT³						
Australian Steel Products	4,437.4	4,792.1	77.7	128.4	361.4	150.3
New Zealand & Pacific Steel	887.3	972.1	(397.3)	(30.3)	(53.5)	(33.2)
Building Products ASEAN, Nth Am & India	1,766.8	1,790.8	149.3	97.1	149.3	98.3
BlueScope Buildings	1,705.9	1,538.1	39.0	56.0	49.2	43.7
Hot Rolled Products North America	847.3	-	847.3	107.3	146.5	107.3
Discontinued operations	-	31.6	(0.7)	1.8	-	-
Segment revenue/EBIT	9,644.7	9,124.7	715.3	360.3	652.9	366.4
Inter-segment eliminations	(462.0)	(572.4)	(1.4)	0.1	(1.4)	0.1
Segment external revenue/EBIT	9,182.7	8,552.3	713.9	360.4	651.5	366.5
Other revenue/(net unallocated expenses)	20.0	19.4	(92.3)	(63.8)	(81.0)	(64.7)
Total revenue/EBIT	9,202.7	8,571.7	621.6	296.6	570.5	301.8
Finance costs			(109.1)	(77.0)	(95.1)	(71.2)
Interest revenue			5.2	4.3	5.2	4.3
Profit/(loss) from ordinary activities before income tax			517.7	223.9	480.6	234.9
Income tax (expense)/benefit			(101.4)	(46.8)	(124.9)	(59.5)
Profit/(loss) from ordinary activities after income tax expense			416.3	177.1	355.7	175.4
Net (profit)/loss attributable to outside equity interest			(62.5)	(40.8)	(62.6)	(41.2)
Net profit/(loss) attributable to equity holders of BlueScope Steel			353.8	136.3	293.1	134.1
Basic earnings per share (cents)			62.1	24.3	51.4	23.9

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. 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.

3) Performance of operating segments is based on EBIT which excludes the effects of interest and tax. The Company considers this a useful and appropriate segment performance measure because Group financing (including interest expense and interest income) and income taxes are managed on a Group basis and are not allocated to operating 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 \$M		EPS \$ ¹¹	
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Reported earnings	1,009.8	639.6	621.6	296.6	353.8	136.3	0.62	0.24
<i>Underlying adjustments:</i>								
Net (gains)/losses from businesses discontinued ¹	0.7	(1.8)	0.7	(1.8)	0.6	(1.1)	0.00	(0.00)
Impact of acquiring a controlling interest in North Star ²	(704.0)	-	(700.8)	-	(702.9)	-	(1.23)	-
Asset impairments ³	553.6	-	553.6	-	553.6	-	0.97	-
Business development, transaction and pre-operating costs ⁴	18.2	10.6	18.2	10.6	12.8	7.4	0.02	0.01
Accounting adjustment on closure of Australian defined benefit super fund ⁵	-	(27.2)	-	(27.2)	-	(19.0)	-	(0.03)
Production disruptions ⁶	1.6	6.6	1.6	6.6	1.2	4.7	0.00	0.01
Restructure and redundancy costs ⁷	109.8	28.3	109.8	28.3	76.8	19.2	0.13	0.03
Asset sales ⁸	(34.3)	(11.3)	(34.3)	(11.3)	(33.9)	(7.3)	(0.06)	(0.01)
Debt restructuring costs ⁹	-	-	-	-	6.2	2.8	0.01	0.00
Tax asset impairment / (write-back) ¹⁰	-	-	-	-	24.9	(8.9)	0.04	(0.02)
Underlying earnings	955.4	644.8	570.5	301.8	293.1	134.1	0.51	0.24

- 1) FY2016 reflects foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.7M pre-tax). FY2015 reflects gains relating to the discontinued Building Solutions Australia businesses (\$2.3M pre-tax) and foreign exchange translation losses within the closed Lysaght Taiwan business (\$0.5M pre-tax).
- 2) FY2016 reflects the de-recognition and fair value gain on BSL's existing 50% equity investment in North Star (\$706.6M pre-tax) partly offset by other one-off acquisition accounting impacts (\$5.8M pre-tax) following the acquisition of the remaining 50% on 30 October 2015.
- 3) FY2016 includes the following asset impairments:
 - ASP: fixed assets and intangibles write off (\$189.0M pre-tax) recognised in December 2015.
 - NZPac:
 - New Zealand Steel and Pacific Steel – fixed assets write off (\$182.2M pre-tax) recognised in December 2015.
 - Taharoa iron sands operations – fixed assets write off (\$182.4M pre-tax), of which \$162.7M was recognised in December 2015 and the remainder in June 2016.
- 4) FY2016 reflects Corporate transaction costs associated with the acquisition of the remaining 50% share in North Star (\$9.4M pre-tax), Corporate business development costs (\$1.9M pre-tax), integration costs associated with the Australian businesses acquired during 2H FY2014 (\$2.4M pre-tax) and production losses incurred through commissioning the billet caster in New Zealand (\$4.5 pre-tax). FY2015 reflects transaction and integration costs associated with the Australian businesses acquired during 2H FY2014 (\$6.4M pre-tax) and Corporate business development costs (\$2.5M pre-tax) and business development costs in New Zealand (\$1.7M pre-tax).
- 5) FY2015 reflects an accounting adjustment realised on the closure of the Australia defined benefit (DB) superannuation fund which impacted Australian Steel Products (\$23.8M pre-tax) and Corporate (\$3.4M pre-tax). Upon closure of the fund the difference between the accounting obligation and members' actual benefits were required to be credited to P&L under Australian Accounting Standards.
- 6) FY2016 reflects the impact of the Tianjin port explosion on the Engineered Buildings China site (net of insurance recoveries). FY2015 reflects the impact of the Port Kembla Steelworks sinter plant waste gas cleaning stack fire which occurred in October 2014.
- 7) FY2016 reflects staff redundancy and restructuring costs at ASP (\$93.7M pre-tax) primarily relating to the cost reduction program in Australian steelmaking and restructure of Australian Distribution and staff redundancy and restructuring costs in New Zealand (\$7.5M pre-tax) and BlueScope Buildings (\$8.6M pre-tax). FY2015 reflects staff redundancy and restructuring costs at ASP (\$30.0M pre-tax) and Indonesia (\$1.2M pre-tax) partly offset by the write-back of restructuring provisions raised in FY2014 relating to restructuring initiatives within the China business (\$2.9M pre-tax).
- 8) FY2016 reflects the profit on sale of McDonald's Lime in New Zealand (\$32.9M pre-tax) and property, plant and equipment in ASP (\$1.4M pre-tax). FY2015 reflects the profit on sale of land and buildings at the North American Buildings business (\$9.4M pre-tax) and at the New Zealand business (\$4.6M pre-tax) and a loss on sale in ASP (\$2.7M pre-tax).
- 9) FY2016 reflects the premium on early redemption of the US\$190M senior unsecured notes due in May 2018 and the write-off of unamortised borrowing costs associated with the senior unsecured notes and North Star acquisition bridge facilities which were refinanced within the period. FY2015 reflects the write-off of unamortised borrowing costs associated with the previous \$675M Syndicated Bank Facility which was restructured and refinanced early.
- 10) FY2016 reflects impairment of deferred tax assets in New Zealand (\$64.7M) inclusive of a \$33.6M impairment of carried forward tax losses. These were partly offset by utilisation of previously impaired deferred tax assets in Australia arising from the favourable movement in timing differences exceeding tax losses generated during the period (\$39.8M). FY2015 reflects utilisation of previously impaired deferred tax assets in Australia arising from the favourable movement in timing differences exceeding tax losses generated during the period.
- 11) Earnings per share are based on the average number of shares on issue during the respective reporting periods, (570.1M in FY2016 vs. 561.3M in FY2015).

Table 2B: Underlying EBIT Adjustments to FY2016 Reported Segment Results

FY2016 underlying EBIT adjustments \$M	ASP	NZPac	BB	BP	HRPNA	Corp	Discon Ops	Elims	Total
Net (gains)/losses from businesses discontinued	-	-	-	-	-	-	0.7	-	0.7
Impact of acquiring a controlling interest in North Star	-	-	-	-	(700.8)	-	-	-	(700.8)
Asset impairment	189.0	364.6	-	-	-	-	-	-	553.6
Business development, transaction and pre-operating costs	2.4	4.5	-	-	-	11.3	-	-	18.2
Production disruptions	-	-	1.6	-	-	-	-	-	1.6
Restructure and redundancy costs	93.7	7.5	8.6	-	-	-	-	-	109.8
Asset sales	(1.4)	(32.9)	-	-	-	-	-	-	(34.3)
Underlying adjustments	283.7	343.7	10.2	-	(700.8)	11.3	0.7	-	(51.2)

Table 3: Consolidated Cash Flow

\$M	FY2016	FY2015	Variance %
Reported EBITDA	1,009.8	639.6	58%
Add cash/(deduct non-cash) items			
- Share of profits from associates and joint venture partnership not received as dividends	(12.4)	16.2	n/m
- Impaired assets	554.8	2.7	n/m
- Net (gain) loss on acquisitions and sale of assets	(734.3)	(16.8)	n/m
- Expensing of share-based employee benefits	23.2	12.7	83%
Cash EBITDA	841.1	654.4	29%
Changes in working capital	265.6	0.6	n/m
Gross operating cash flow	1,106.7	655.0	69%
Finance costs	(111.2)	(69.6)	(60%)
Interest received	6.5	3.0	117%
Tax received/(paid) ¹	(50.0)	(49.7)	(1%)
Net cash from operating activities	952.0	538.7	77%
Capex: payments for P, P & E and intangibles	(313.9)	(384.9)	18%
Other investing cash flows	(975.6)	(25.9)	n/m
Net cash flow before financing	(337.5)	127.9	n/m
Equity issues	-	(0.6)	-
Dividends to non-controlling interests ²	(38.8)	(46.2)	16%
Dividends to BlueScope Steel Limited shareholders	(34.2)	(17.0)	100%
Transactions with non-controlling interests	-	(0.5)	-
Net drawing/(repayment) of borrowings	440.9	(51.1)	n/m
Net increase/(decrease) in cash held	30.4	12.5	143%

1) The BlueScope Steel Australian tax consolidated group is estimated to have carry forward tax losses, as at 30 June 2016, of approximately \$2.75Bn. There will be no Australian income tax payments until these are recovered.

2) These dividend payments primarily relate to dividend payments to Nippon Steel & Sumitomo Metal Corporation (NSSMC) in respect of NS BlueScope Coated Products joint venture.

GROUP-LEVEL MANAGEMENT DISCUSSION & ANALYSIS FOR FY2016 VS FY2015

BLUESCOPE'S OPERATIONS AND SIGNIFICANT CHANGES

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 Australia's largest steel manufacturer, and New Zealand's only steel manufacturer. BlueScope's vertically integrated operations for flat steel products in Australia and New Zealand produce value-added metallic coated and painted products, together with hot rolled coil, cold rolled coil, steel plate and pipe and tube. BlueScope manufactures and sells steel long products in New Zealand through its Pacific Steel business. In Australia and New Zealand, BlueScope serves 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 our steel mills and 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 leading 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.

On 30 October 2015 BlueScope acquired full ownership of North Star BlueScope Steel (NSBSL), previously 50% owned. The Ohio, U.S. mill is a low cost regional supplier of hot rolled coil. NSBSL is highly efficient, operates at industry leading utilisation rates and is strategically located near its customers and in one of the largest scrap markets of North America.

FINANCIAL PERFORMANCE

Total revenue

The \$631.0M (7%) increase in total revenue principally reflects:

- 100% consolidation of North Star sales revenues from November 2015.
- Favourable translation impacts from a weaker AUD exchange rate (FY2015 US\$0.837; FY2016 US\$0.728).
- Higher domestic volumes mainly in hot rolled coil, COLORBOND® steel, ZINCALUME® steel and plate sales in ASP.

These were partly offset by:

- Lower export prices driven by lower global steel prices partly offset by the weaker AUD:USD exchange rate.
- Lower domestic prices due to the influence of lower global steel prices partly offset by the impact of a weaker AUD:USD.
- Lower export volumes due to increased domestic demand at ASP.
- Lower despatch volumes at Buildings North America.
- Lower Australian Distribution volumes due to the restructure and resulting closure of unprofitable sites.

EBIT performance

A \$268.7M higher underlying EBIT reflects:

- Costs: \$335.7M favourable movement, driven by:
 - \$307.7M benefit from cost improvement initiatives mainly in ASP, NZPac and Engineered Buildings China
 - \$78.02M net reduction in one-off and other costs
 - lower per unit costs at ASP and iron sands due to increased volumes.
 - lower freight costs at ASP and NZPac in line with softness in global freight markets
 - \$58.2M impact of cost escalation from utilities, employment, consumables, freight and other costs.
- Foreign exchange translation: \$18.6M favourable impact of translating earnings to AUD.
- Volume and mix: \$20.7M increase, comprising:
 - higher domestic volumes at ASP mainly in hot rolled coil, COLORBOND® steel and ZINCALUME® steel and plate
 - higher despatch volumes in Engineered Buildings Asia
 - lower despatch volumes in Buildings North America.
- North Star and Tata BlueScope Steel performance: \$47.7M increase at North Star due to the favourable impact of 100% consolidation of North Star from 30 October 2015 and stronger performance at the Tata BlueScope Steel joint venture.
- Other items: \$1.0M favourable movement.

Partly offset by \$146.9M spread decrease, primarily comprised of:

- \$567.7M unfavourable movement in domestic and export prices due to lower global steel and iron prices, partly offset by the favourable influence of a weaker AUD:USD
- \$420.8M benefit from lower raw material costs, due to:
 - lower USD denominated coal and iron ore purchase prices at ASP
 - lower steel feed costs at BP and BB
 - unfavourable foreign exchange impact on USD denominated raw material purchases.

The \$324.9M increase in reported EBIT reflects the movement in underlying EBIT discussed above and \$51.2M favourable movement in underlying adjustments explained in Tables 2A and 2B.

Finance costs

The \$32.1M increase in finance costs compared to FY2015 was largely due to higher average borrowings primarily due to the acquisition of the remaining 50% of North Star BlueScope Steel (FY2016 \$1,462.3M, FY2015 \$926.3M), costs associated with the redemption of US\$190M senior unsecured notes due in May 2018 and establishment costs for the two US\$300M bridge facilities. Partially offset by a lower average cost of debt (FY2016 5.0%, FY2015 5.9%).

Tax

Net tax expense of \$101.4M (FY2015 \$46.8M) primarily relates to income generated in businesses outside of Australia and New Zealand. FY2016 includes non-taxable gains of \$739.5M arising from the de-recognition and fair value gain on the existing 50% equity investment in North Star following the acquisition of the remaining 50% on 30 October 2015 and the sale of New Zealand Steel's 28% equity investment in McDonald's Lime. FY2016 also includes \$553.6M of non-tax effected asset impairments in Australia and New Zealand.

FY2016 includes a \$64.7M impairment of New Zealand deferred tax assets, inclusive of a \$33.6M write-off of previously carried forward tax losses. These were partially offset by a \$42.2M (FY2015 \$24.8M) utilisation of previously impaired deferred tax assets in Australia. The Company has deferred the recognition of any further Australian and New Zealand tax credits until a sustainable return to taxable profits has been demonstrated. Australian and New Zealand tax losses are able to be carried forward indefinitely.

Dividend

In February 2016 the Board of Directors approved payment of a fully franked interim dividend of three cents per share.

The Board of Directors has approved payment of a final dividend of 3.0 cents per share. The final dividend will have attached 100% franking credits and imputation credits for Australian and New Zealand tax purposes respectively. BlueScope's dividend reinvestment plan will not be active for the final dividend.

Relevant dates for the final dividend are as follows:

- Ex-dividend share trading commences: 9 September 2016.
- Record date for dividend: 12 September 2016.
- Payment of dividend: 10 October 2016.

BlueScope's goal is to continue to reduce leverage and target net debt sustainably lower than 1.0 times underlying EBITDA. The Company may temporarily increase leverage for value adding opportunities, subject to seeing a clear pathway to reduce debt.

FINANCIAL POSITION

Net assets

Net assets increased \$246.2M to \$4,985.3M at 30 June 2016 from \$4,739.1M at 30 June 2015.

Increases in net assets were:

- \$1,255.3M increase in intangible assets, primarily as a result of the North Star acquisition (\$1,313M) partly offset by impairment of goodwill (\$39M) and other items (\$19M)
- \$101.5M increase in property, plant and equipment driven by the North Star acquisition (\$620M), capital expenditure (\$351M) and the weaker AUD:USD (\$9M), partly offset by non-current asset impairment charges (\$515M), depreciation (\$343M) and other movements (\$21M)
- \$70.6M increase in receivables
- \$39.0M decrease in provisions
- \$12.1M increase in net derivative asset
- \$16.7M increase in other assets.

Decreases in net assets were:

- \$502.9M increase in net debt. This increase was primarily due to the acquisition of the remaining 50% of North Star
- \$196.0M increase in payables

- \$172.9M increase in retirement benefit liabilities due to lower discount rates
- \$140.5M decrease in net tax asset
- \$105.3M decrease in equity accounted investments mainly due to the de-recognition of the 50% share in North Star that BlueScope already owned
- \$98.1M decrease in inventory, primarily due to a net volume decrease (\$114M), decrease in unit cost (\$103M) and a reallocation of NZ carbon permits (\$19M) partially offset by increases in North Star acquisition (\$110M), weaker AUD:USD exchange rate (\$14M) and NRV adjustments (\$14M)
- \$28.3M increase in deferred income
- \$5.3M reduction in assets held for sale with the sale of the equity investment in McDonald's Lime in New Zealand.

Funding

Financial liquidity was \$1,813.1M (excludes \$52M undrawn capacity of the off-balance sheet receivables securitisation) at 30 June 2016 (\$1,276.3M at 31 December 2015 and \$1,591.0M at 30 June 2015), comprised of committed available undrawn capacity under bank debt facilities of \$1,263.3M, plus cash \$549.8M. Liquidity in the NS BlueScope Coated Products JV of \$487.8M is included in the group liquidity measure.

During FY2016 two US\$300M bridge facilities (one secured, one unsecured) were established with a one year maturity to assist in funding the acquisition of Cargill's 50% interest in North Star BlueScope Steel. The bridge facilities were fully repaid during the year through a combination of:

- an increase to BlueScope's Syndicated Bank Facility by \$350M
- an off balance sheet trade receivables securitisation program established in December 2015 with a limit of \$250M
- issuance of US\$500M of senior unsecured notes to qualified institutional buyers in the United States. The notes mature in May 2021 and have a coupon of 6.50% per annum. Proceeds of the offering were also used to partly redeem existing senior unsecured notes due in May 2018 which had a coupon of 7.125%.

Following the North Star acquisition in October 2015, the Company indicated its intention to reduce leverage to less than 1.0 times net debt to EBITDA within 12 to 18 months. This goal was achieved by 30 June 2016, at which point the leverage multiple was 0.8 (net debt to pro-forma EBITDA).

MATTERS SUBSEQUENT TO THE YEAR ENDED 30 JUNE 2016

On 8 July 2016 BlueScope sold its 47.5% interest in Castris LLC (a thin strip casting technology joint venture with Nucor and IHI Ltd) to Nucor for US\$20.0M.

1H FY2017 OUTLOOK

Expectations for the performance of our businesses in 1H FY2017 are as follows:

- ASP: expect higher steel pricing with the impact of lagged regional steel pricing from 4Q FY2016; expect typical seasonality in volumes, noting a strong 2H FY2016. Maintaining the strong cost performance delivered in 2H FY2016.
- NZPac: expect slight improvement over 2H FY2016: (i) benefit of full Pacific Steel / billet caster economics; (ii) higher steel pricing with impact of lagged regional steel pricing from 4Q FY2016; (iii) one-off benefits of provision adjustments in 2H FY2016 not repeated.
- BP: expect continued growth driven by volume and mix, noting 2H FY2016 delivered particularly strong margins (especially in North America due to spread expansion in supply chain). Continued investment in brand, channel and product development.
- BB: in North America, expect seasonally stronger volumes combined with benefits from improvement programs; at Asia Buildings, expect benefit of improvement program combined with seasonally higher volumes, but competitive pressure on margins; continued strong performance expected at China Coated.
- HRP North America: expect continued full despatch rate; strong spreads to continue in 1Q; expecting softening spreads in 2Q.

Group outlook:

- We expect 1H FY2017 underlying EBIT to be around 50% higher than 2H FY2016 which was \$340.4M. This is based on assumption of average (all prices on a metric tonne basis):
 - East Asian HRC price of ~US\$350/t
 - 62% Fe iron ore price of ~US\$50/t CFR China
 - Hard coking coal price of ~US\$100/t FOB Australia
 - U.S. mini-mill spreads in 2Q reducing by 10-20% from current spot (US\$360-380/t)
 - AUD:USD at US\$0.75
- Expect 1H FY2017 underlying net finance costs to be lower than 2H FY2016 due to lower average borrowings; expect slightly higher underlying tax rate and similar profit attributable to non-controlling interests to 2H FY2016.
- Expectations are subject to spread, FX and market conditions.

BUSINESS STRATEGIES AND PROSPECTS

The Company's target is to deliver top quartile shareholder returns with safe operations.

BlueScope's strategy focuses on the following areas:

- *Growing premium branded steel businesses with strong channels to market. In particular:*
 - Drive growth in premium branded coated and painted steel markets in Asia-Pacific.
 - For our engineered buildings segment, drive growth in North America and turn around China.
- *Delivering competitive commodity steel supply in our local markets. Current priorities under this banner are:*
 - Maximise value of North Star.
 - Deliver value from Australian and New Zealand steelmaking and iron sands through game-changing cost reductions, or pursue alternative models.
- *Ensuring ongoing financial strength by maintaining a strong balance sheet.*

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, lower global commodity steel prices relative to raw material costs, and until late calendar year 2014, a stronger Australian dollar relative to the U.S. dollar. These are the external macroeconomic factors to which BlueScope is exposed. While there has been some improvement in external macroeconomic factors, there continues to be significant short-term fluctuation.

The Company has undertaken significant restructuring and other initiatives in recent years across all its operating segments to offset these macroeconomic factors. This has resulted in BlueScope returning an underlying profit in FY2013, which has continued to improve through to FY2016.

BlueScope has regard to a number of recognised external forecasters when assessing possible future operating and market conditions. These forecasters expect a general slow-down in steel demand impacting our Australian business over the next few years, an improvement in global commodity steel prices relative to iron ore and coking coal raw material costs, and a relatively stable Australian dollar. In addition, recognised external forecasters expect a continued improvement in non-residential building and construction activity in North America but not at the pace experienced in recent years.

BlueScope is also exposed to a range of market, operational, financial, compliance, conduct and external 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, particularly China, 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.

The Company is monitoring the general trend of lower steel prices since the GFC coinciding with a slowing in Chinese domestic steel demand growth, increased steel exports from China and broader over-capacity in steelmaking globally. These trends, if sustained, could impact the long term competitiveness of supply of steel from its Australian and New Zealand steelmaking businesses and impact ongoing reinvestment.

(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
- 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
- these are offset in part by a significant amount of raw material purchases being denominated in U.S. dollars.

(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 global steel industry is currently characterised by significant excess capacity and 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 prevail
- an inability to maintain a competitive cost base, particularly at Port Kembla and Glenbrook, including maintaining, extending or renewing key raw materials, operational supplies, services and funding on acceptable terms
- a major operational failure or disruption to our manufacturing facilities or supply chain
- the conduct of our employees or disruptive behaviours by external parties impacting our business or supply chain
- the Company is subject to extensive government laws and regulation, including environmental, greenhouse gas emissions, tax, occupational health and safety, competition law and trade restrictions in each of the countries in which it operates. The Company is also subject to the risk of regulatory investigations into compliance with these laws and regulations which could be lengthy and costly
- political, social and economic policies and uncertainties in the countries in which we operate
- potential product warranty and legal claims
- loss of key Board, management or operational personnel
- substantial Company contributions to its employees' defined benefit funds, which are currently underfunded
- the impact on reported earnings and financial position of the Company from changes to accounting standards
- industrial disputes with unions that disrupt operations
- failure to maintain occupational health and safety systems and practices.

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

AUSTRALIAN STEEL PRODUCTS (ASP)

ASP produces and markets a range of high value coated and painted flat steel products for Australian building and construction customers, together with providing a broader offering of commodity flat steel products. Products are sold mainly to the Australian domestic markets, with some volume exported. Key brands include zinc/aluminium alloy-coated ZINCALUME® steel and galvanised and zinc/aluminium alloy-coated pre-painted COLORBOND® steel. The segment's main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria).

ASP also operates pipe and tube manufacturing, and a network of rollforming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, automotive and transport, agriculture and mining industries.

KEY FINANCIAL & OPERATIONAL MEASURES

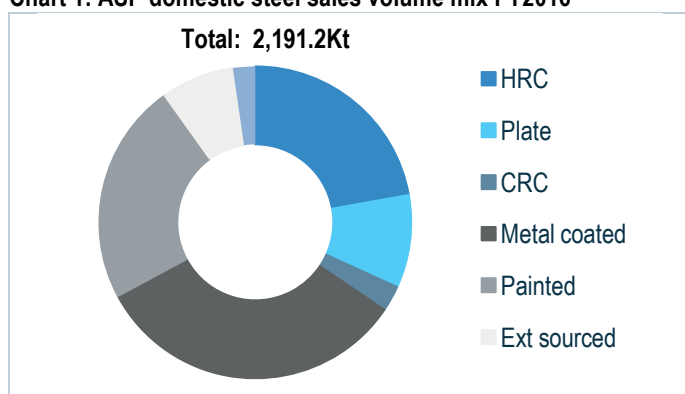
Table 4: Segment financial performance

\$M	FY2016	FY2015	Var %	2H FY2016
Sales revenue	4,437.4	4,792.1	(7%)	2,135.3
Reported EBIT	77.7	128.4	(39%)	173.6
Underlying EBIT	361.4	150.3	140%	187.8
NOA (pre-tax)	2,088.7	2,432.8	(14%)	2,088.7

Table 5: Steel sales volume

000 tonnes	FY2016	FY2015	Var %	2H FY2016
Domestic				
- ex-mill	2,008.5	1,833.3	10%	1,001.7
- ext sourced	182.7	258.8	(29%)	91.8
Export	695.5	801.6	(13%)	409.3
Total	2,886.7	2,893.8	-	1,502.8

Chart 1: ASP domestic steel sales volume mix FY2016



FINANCIAL PERFORMANCE – FY2016 VS. FY2015

Sales revenue

The \$354.7M decrease in sales revenue is primarily due to:

- lower domestic and export prices driven by lower global steel prices partly offset by the weaker AUD:USD exchange rate
- lower Australian Distribution volumes due to the restructure and resulting closure of unprofitable sites
- lower export volumes due to increased domestic demand

These were partly offset by:

- higher domestic volumes across most categories, in particular hot rolled coil, metal coated steels (ZINCALUME® steel and galvanised) and COLORBOND® steel, driven by residential construction (new-start and alterations and additions) and distributor demand.

EBIT performance

The \$211.1M increase in underlying EBIT was largely due to:

- lower costs driven by:
 - cost reductions realised through delivery on the cost-out program
 - lower unit costs with higher production volumes
- favourable volume/mix from higher domestic volumes across most categories, in particular hot rolled coil, metal coated steels (ZINCALUME® steel and galvanised) and COLORBOND® steel.

These were partly offset by:

- lower spread from:
 - lower domestic and export prices driven by lower global steel prices partly offset by the weaker AUD:USD exchange rate
 - partly offset by lower USD denominated iron ore and coal purchase prices partly offset by unfavourable foreign exchange impact.

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

FINANCIAL POSITION

Net operating assets were \$344.1M lower than at 30 June 2015 primarily due to:

- lower fixed assets, mainly due to an impairment charge of \$189.0M taken at 31 December 2015 following the review of steel and iron ore price forecasts and discount rates in light of macroeconomic and global steel market changes
- lower receivables and inventories.

These were partly offset by lower provisions.

MARKETS AND OPERATIONS

Sales direct to Australian building sector

- Domestic building sector direct sales volumes strengthened in FY2016 compared to FY2015.
- The residential construction market continues to be a major driver of growth for the Australian economy.
 - Strong investor demand, historically low interest rates and robust population growth has resulted in growth in new residential development.
 - Sales of COLORBOND® steel continue to strengthen supported by the detached dwelling market, which has grown above the long term mean.
 - New South Wales, Victoria and Queensland continue to deliver strong sales growth. Conditions in South Australia have stabilised, whilst other states remain relatively subdued.
 - Alterations and additions activity recovered strongly in FY2016 supported by robust house price growth and record low interest rates.
- Non-residential construction activity has been relatively flat in FY2016.

- Activity within commercial and industrial construction applications such as accommodation has increased through volume growth initiatives. Offset by a reduction in offices and transport as projects reach completion.
- Social and institutional building weakened with a decline in education and health construction, however strengthening aged care and entertainment construction partly offset the fall.
- We are now targeting cost savings of \$280M in FY2017 over the FY2015 cost base, or an incremental \$45M over the FY2016 cost base.

- Australian Distribution restructure:

- Progress is being made on the rationalisation of Distribution operations into two streamlined businesses, with 18 sites out of a targeted 20 now exited.
- The business is also exiting product lines that are unprofitable.
- The restructure program remains on track to deliver a net ongoing EBIT improvement of \$20M per annum from FY2017 – this number is part of the cost saving target mentioned above.

Sales direct to domestic non-building sector customers

- Sales volumes to distributors and non-building sector customers were strong in FY2016 compared to FY2015.
- All of our domestic non-building sectors (excluding Manufacturing) have either increased their domestic sales or remained stable.
 - The decline in the Australian dollar has improved market confidence as well as increasing domestic pricing competitiveness against imported steel products.
 - Sales to Distribution customers have grown through focusing on increasing flexibility in our service offerings and encouraging pull through demand from end market customers. Distribution customers have also increased inventory levels with pricing conditions becoming more favourable.
 - Pipe and Tube sales grew through initiatives to improve share competing against imported finished goods. Sales volumes further benefitted by customer re-stocking activity in 4Q FY2016.
 - Despite the decline in automotive manufacturer activity in recent years, ASP's sales to the automotive industry grew slightly in FY2016 through enhancements to its product offering, with the launch of a new product called V-Coat for use by Toyota.
 - Manufacturing volumes declined due to some customer closure and offshoring of production during FY2016. There are however positive signs of improving sentiment emerging with the AiGroup Performance of Manufacturing Index finishing FY2016 in net expansionary territory.

Mill sales to export markets

- Despatches to export market customers in FY2016 were 695.5kt, 13% lower than FY2015 due to increased demand in the domestic market.
- Prices in export markets were significantly weaker in FY2016 compared with FY2015 with lower global steel prices driven by the continued oversupply of steel in global markets.

Restructuring update

- Australian steelmaking strategic review:
 - To address continued steel spread weakness arising from excess regional steel supply and the scale of Chinese steel export volumes, ASP was set the challenge of delivering a game-changing approach to deliver significantly reduced costs to be cost competitive relative to international competitors.
 - In October 2015, with confidence that cost-out commitments would deliver more than \$200M in operational savings in Australia by FY2017, the BlueScope Board made the decision to pursue Plan A, being to continue steelmaking at Port Kembla subject to formal ratification of the new enterprise agreements, which was achieved in November 2015.
 - Cost savings of \$95M were delivered in 1H FY2016 and \$140M in 2H FY2016, for a total of \$235M in FY2016.

NEW ZEALAND AND PACIFIC STEEL

New Zealand and Pacific Steel consists of four primary business areas; New Zealand Steel; Pacific Steel; New Zealand Minerals; and BlueScope Pacific Islands.

New Zealand Steel is the only steel producer in New Zealand, producing slab, billet, 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.

Supplied with billet from New Zealand Steel, Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand.

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

KEY FINANCIAL & OPERATIONAL MEASURES

Table 6: Segment financial performance

\$M	FY2016	FY2015	Var %	2H FY2016
Sales revenue	887.3	972.1	(9%)	435.8
Reported EBIT	(397.3)	(30.3)	n/m	(31.6)
Underlying EBIT	(53.5)	(33.2)	(61%)	(6.4)
NOA (pre-tax)	186.6	634.8	(71%)	186.6

Table 7: Sales volume

000 tonnes	FY2016	FY2015	Var %	2H FY2016
Domestic flats	258.0	260.6	(1%)	125.4
Domestic longs	169.2	173.0	(2%)	90.2
Domestic (steel)	427.2	433.6	(1%)	215.6
Export flat	205.6	259.7	(21%)	93.4
Export longs	64.3	89.3	(28%)	22.3
Export (steel)	269.9	349.0	(23%)	115.7
Iron sands	3,201.1	1,629.7	96%	1,806.5

FINANCIAL PERFORMANCE – FY2016 VS. FY2015

Sales revenue

The \$84.8M decrease in sales revenue was primarily due to lower steel and iron sands prices reducing in line with global price falls and lower despatches of flat and long steel products. (Lower total despatches were in part due Pacific Steel's move late in the FY2016 year to billet sourced from New Zealand Steel with the commissioning of the billet caster). This was partly offset by the impact of a weaker NZD:USD and higher iron sands despatch volumes.

EBIT performance

The \$20.3M decrease in underlying EBIT was largely due to lower realised iron sands and steel pricing reflecting lower global prices partly offset by lower costs and favourable impacts from a weaker NZD:USD.

These were partly offset by lower costs due to cost reduction initiatives.

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

FINANCIAL POSITION

Net operating assets were \$448.2M lower than at 30 June 2015 primarily due to:

- lower fixed assets mainly due to an impairment charge of \$364.6M, of which \$182.4M relates to the full write-down of Taharoa export iron sands non-current assets, following the review of steel and iron ore price forecasts and discount rates in light of macroeconomic and global steel market changes
- an increase in provisions
- a reduction in inventory.

MARKETS & OPERATIONS

Steel products (flat and long)

- Domestic market
 - Flat product sales volume was in line with FY2015, with higher building volumes and flat manufacturing offset by weaker agriculture.
 - Domestic long product steel sales were lower than FY2015, coming off peak demand in that prior period.
 - Domestic residential building activity continues to grow. For the 12 months ended June 2016, new building consents are up 16% on the same period in 2015.
 - Domestic non-residential building is showing signs of recovery with the value up 14% in the 12 months to June 2016 compared to the previous 12 month period.
 - In Canterbury, non-residential construction continues to grow with the total value of all new non-residential consents up 12.8% in FY2016. Residential consents are slowing, down 7.1% for the 12 months.
 - Our Pacific Steel long products mills in Auckland are now being supplied with billet from Glenbrook and the full earnings run-rate potential of the Pacific Steel acquisition has been visible from 4Q FY2016. This results in a better overall domestic/export sales mix on lower overall volumes.
- Export market
 - Despite global price increases across the last half, overall export markets continue to be under significant pricing pressure due to weaker regional steel prices and excess supply.

Iron sands

- FY2016 exports:
 - Iron sands exports from Taharoa and Waikato North Head in FY2016 were 3.2mt up 1.6mt on FY2015. Taharoa exports were up 1.8mt with the entry of additional ships in operation whilst Waikato North Head exports were down 262kt.
 - Iron sands prices were down consistent with the decrease in global iron ore pricing.
- Taharoa update:
 - Second ship commenced operating in August 2015 and the third ship commenced operations in December 2015.
 - Underlying EBIT loss of \$14.2M in 1H FY2016, and EBIT profit of \$0.9M in 2H FY2016 for full year FY2016 underlying EBIT loss of \$13.3m.

- Achieved 2H FY2016 EBIT break-even at an average index iron ore price of US\$47.5/t¹
- Expected 1H FY2017 export volume of 1.7Mt.
- Taharoa export iron sands operations sale process remains underway.
- Growth capital expenditure remains under review.
- Waikato North Head update:
 - Minimal exports due to low prices.

Restructurings

- Update on New Zealand steelmaking strategic review:
 - As with the Australian steelmaking operation, the New Zealand steelmaking operations were set the challenge of delivering a game-changing approach that will significantly reduce costs to ensure they are internationally competitive, profitable and support reinvestment.
 - Cost savings of NZ\$13M were delivered in 1H FY2016 and NZ\$32M in 2H FY2016.
 - We are now targeting cost savings of at least NZ\$60M in FY2017 over the FY2015 cost base, or at least an incremental NZ\$15M over the FY2016 cost base.
 - There is still further work to be done to determine whether the Glenbrook operations can be internationally competitive and profitable.
- Sale of interest in McDonald's Lime:
 - In December 2014, New Zealand Steel agreed to sell its non-core 28 per cent shareholding in McDonald's Lime Limited to Graymont Limited.
 - Upon final completion in October 2015, New Zealand Steel received NZ\$41M in cash and recognised a NZ\$36M pre-tax profit on sale.

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.

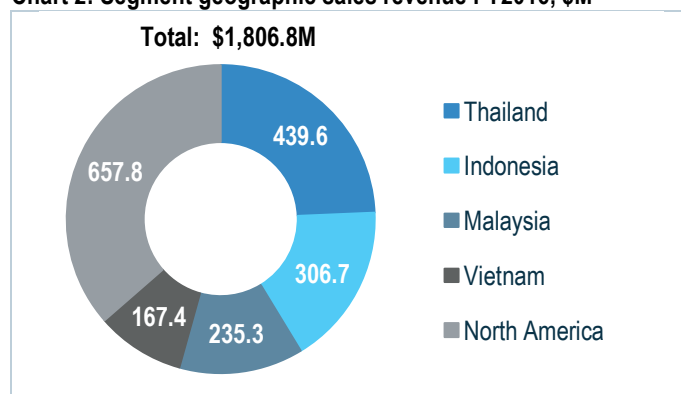
The Company has an extensive footprint of metallic coating, painting and steel building product operations in Thailand, Indonesia, Vietnam, Malaysia, India and North America, primarily servicing the residential and non-residential building and construction industries across Asia, and the non-residential 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 8: Segment performance

\$M unless marked	FY2016	FY2015	Var %	2H FY2016
Sales revenue	1,766.8	1,790.8	(1%)	888.2
Reported EBIT	149.3	97.1	54%	83.9
Underlying EBIT	149.3	98.3	52%	83.9
NOA (pre-tax)	1,009.7	1,006.0	-	1,009.7
Despatches	1,369.5	1,330.2	3%	728.1

Chart 2: Segment geographic sales revenue FY2016, \$M¹



1) Chart does not include \$40.0M of eliminations (which balances back to total segment revenue of \$1,766.8M). Chart also does not include India, which is equity accounted.

FINANCIAL PERFORMANCE – FY2016 VS. FY2015

Sales revenue

The \$24.0M decrease in sales revenue was mainly driven by lower steel prices impacting all regions. These were partly offset by favourable foreign exchange rate impacts (against the AUD) in all regions.

EBIT performance

The \$51.0M increase in underlying EBIT was largely due to:

- higher margins across most businesses with lower raw material purchase prices more than offsetting lower selling prices

¹ Reference is to 62% Fe CFR China iron ore index price. Break-even analysis excludes hedging adjustments.

- favourable movements in BlueScope's share of equity accounted profits from the India joint venture
- favourable translation of earnings from a weaker AUD:USD exchange rate.

These were partly offset by cost escalation.

FINANCIAL POSITION

Net operating assets have increased \$3.7M since 30 June 2015 mainly reflecting lower creditors partly offset by lower inventories.

MARKETS AND OPERATIONS

Thailand

- FY2016 despatch volume grew 5% from FY2015. Industrial, commercial and retail demand was soft in 1H FY2016 but recovered strongly in 2H FY2016 driven by positive effect of improved government spending and foreign direct investment.
- The business has successfully entered the Home Appliance market with sales of ViewKote® and SuperDyma® products. Noting production of SuperDyma® commenced in October 2015 and sales continue to grow in line with business case.
- The business continues to expand its retail channel via authorised dealers and distributor loyalty program.
- Third metal coating line at Map Ta Phut, Thailand:
 - Feasibility study completed. BlueScope board has given in-principle approval subject to finalisation of contracts and NS BlueScope joint venture board approval, which is expected in 1Q FY2017.
 - Coating with in-line painting with output up to 140kt. Investment of US\$125M including working capital. Expect commercial production in early FY2019.
 - The line will deliver added capacity to grow presence in the growing Retail/SME construction market.

Indonesia

- FY2016 volume was slightly lower than FY2015 amid overall weak market demand. This was offset through margin expansion delivered by better product mix, enhanced market offerings and lower raw material prices.
- The business continues to focus efforts on growth in strategic market segments and strengthening brand position.

Vietnam

- FY2016 despatch volume grew 1% from FY2015 on the back of higher domestic premium dispatches. Margins improved due to reduced raw material costs and better product mix.
- The domestic market continues to benefit from growing foreign direct investment and improved consumer confidence.
- The business continues to target growth through expanding retail channel footprint, building brand value and new product development.

Malaysia

- FY2016 despatch volume was marginally lower than FY2015 with the backdrop of political uncertainty and weaker oil prices slowing growth in demand. Margins grew by early price leadership and increased premiums, enhanced by flat cost base and lower raw material costs.

- The business continues to target margin expansion in the project market and increased utilisation of its in-line painting capability to drive painted volumes in the retail segment.

North America (Steelscape & ASC Profiles)

- FY2016 despatch volume was higher than FY2015 driven by stronger domestic market demand and an increase in pre-painted market share. Margins improved due to strong pricing, lower raw material cost, and tight cost control.
- U.S. anti-dumping duties have been imposed on the business's imported hot rolled coil feed. A sourcing strategy has been developed to reduce the impact on the business.
- The business continues to target product innovation and continuous cost improvement to further improve its financial performance.

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

- The joint venture recorded 6% revenue growth in FY2016 with a positive and growing EBIT.
- Domestic prime coated steel sales volume grew by 13% compared to FY2015 with 9% growth in painted products and 27% growth in bare products. During the period, project market sales grew by 12% and retail sales grew at by approximately 10%.

BLUESCOPE BUILDINGS

BlueScope Buildings is a leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of 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 metal coating, painting and Lysaght operations in China (Building Products China).

BlueScope Buildings is expanding its 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.

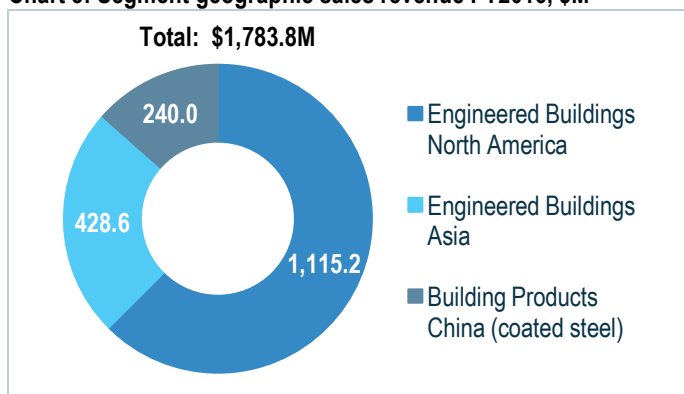
This segment was formerly known as Global Building Solutions.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 9: Segment performance

\$M unless marked	FY2016	FY2015	Var %	2H FY2016
Sales revenue	1,705.9	1,538.1	11%	816.1
Reported EBIT	39.0	56.0	(30%)	12.6
Underlying EBIT	49.2	43.7	13%	15.0
NOA (pre-tax)	603.3	727.1	(17%)	603.3
Despatches	601.9	529.6	14%	306.9

Chart 3: Segment geographic sales revenue FY2016, \$M¹



1) Chart does not include \$77.9M of eliminations (which balances back to total segment revenue of \$1,705.9M).

FINANCIAL PERFORMANCE – FY2016 VS. FY2015

Sales revenue

The \$167.8M increase in sales revenue was mainly due to favourable foreign exchange rate impacts (against the AUD) in all regions and higher despatch volumes in Engineered Buildings Asia and Building Products China. This was partly offset by lower steel prices across all regions and lower despatch volumes in North America.

EBIT performance

The \$5.5M increase in underlying EBIT was largely due to:

- higher net margins in North America and Asia
- favourable translation of earnings from a weaker AUD:USD exchange rate
- lower costs in Engineered Buildings Asia delivered through restructuring initiatives combined with higher despatch volumes.

This was partly offset by:

- lower despatch volumes in North America
- the benefit in FY2015 of an initiative to de-risk pension fund obligations by \$11.0M.

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

FINANCIAL POSITION

Net operating assets have decreased \$123.7M since 30 June 2015 mainly reflecting higher creditors, provisions and lower net fixed assets. This was partly offset by higher receivables.

MARKETS AND OPERATIONS

Engineered Buildings North America

- Despatch volumes were down 5% in FY2016 relative to FY2015 driven by a slowing in U.S. non-residential construction market activity, particularly in the manufacturing end-use segment, and a focus on improving margins. Better margin performance was also achieved through a continued focus on product innovation as well as manufacturing efficiencies.
- General indicators of activity, such as Dodge Data & Analytics, FMI and the Architectural Billings Index, point to continued, albeit moderating, growth in the U.S. non-residential construction market.

Engineered Buildings Asia (China & ASEAN)

- Restructuring initiatives in the China business are delivering improved results. Despite weak building and construction activity in the premium market across private and government participants, despatch volumes increased by 46% relative to FY2015.

Building Products China (coating, painting and rollforming)

- Volumes increased 17% relative to FY2015, driven by an increase in internal demand from the Engineered Buildings China business and external pre-engineering customers. This was partly offset by a decline in rollformer demand.
- Sales and marketing initiatives continue to increase external sales of higher value-added product.

HOT ROLLED PRODUCTS NORTH AMERICA

During FY2016 this segment comprised North Star BlueScope Steel and BlueScope's 47.5% interest in Castrip LLC (a thin strip casting technology joint venture with Nucor and IHI Ltd).

North Star is a single site electric arc furnace producer of hot rolled coil in Ohio, in the U.S. On 30 October 2015, BlueScope acquired the 50% of North Star that was previously owned by Cargill. BlueScope's 50% interest in North Star was equity accounted up to 30 October 2015 and has been consolidated in BlueScope's accounts thereafter.

Castrip LLC is a thin strip casting technology business. BlueScope sold its interest in Castrip to Nucor on 8 July 2016 for US\$20.0M.

This segment will be known as North Star BlueScope Steel from FY2017 onwards.

KEY FINANCIAL & OPERATIONAL MEASURES

Table 10: Segment performance

\$M unless marked	FY2016	FY2015	Var %	2H FY2016
Sales revenue ¹	847.3	-	-	660.2
Reported EBIT ²	847.3	107.3	n/m	104.2
Underlying EBIT ²	146.5	107.3	37%	104.1
NOA (pre-tax)	1,862.3	112.8	n/m	1,862.3

1) Excludes the Company's 50% share of NSBSL's sales revenue prior to 30 October 2015.

2) Includes 50% share of net profit before tax from NSBSL of A\$28.7M in the four months ending 30 Oct 2015 and A\$112.5M in FY2015.

FINANCIAL PERFORMANCE – FY2016 VS. FY2015

Sales revenue

Until November 2015 the segment was comprised of two equity accounted investments and as such had no sales revenue recorded in the Group accounts. Segment revenue reflects consolidation of North Star from November 2015.

Earnings performance

The \$39.2M increase in underlying EBIT was largely due to the favourable impact of 100% consolidation from November 2015 and favourable translation impacts from a weaker AUD exchange rate. These were partly offset by weaker USD realised steel spreads with Midwest hot rolled coil prices falling more than raw material costs.

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

Table 11: North Star BlueScope Steel – pro-forma performance (100% basis)

US\$M unless marked	FY2016	FY2015	Var %	2H FY2016
Sales revenue	959.6	1,280.4	(25%)	(1,280.4)
Underlying EBITDA	163.4	205.5	(20%)	98.6
Production (kt)	2,075.8	2,061.2	1%	1,039.1
Despatches (kt)	2,021.6	2,018.0	-	1,022.6

FINANCIAL POSITION

Segment net operating assets increased from \$112.8M at 30 June 2015 to \$1,862.3M at 30 June 2016 mainly due to the consolidation of North Star effective 30 October 2015. At 30 June 2016, segment net operating assets comprised mainly: \$1,248.4M intangible assets, \$595.6M fixed assets, \$109.8M inventories, \$119.7M receivables, \$204.5M creditors and \$7.7M provisions.

MARKETS AND OPERATIONS

North Star BlueScope Steel

- North Star sells approximately 80% of its production in the Midwest U.S., with its end customer segment mix being broadly 45% automotive, 25% construction, 10% agricultural and 20% manufacturing/industrial applications.
- North Star continues to benefit from strength in the automotive sector as well as continued recovery in the construction sector.
- High capacity utilisation rates 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.
- On 7 May 2016 a refractory failure allowed a wash-out of molten steel from North Star's south EAF shell, resulting in an explosion and fire. The south EAF was repaired and fully operational by 16 May 2016. The total cost, including the value of lost production and capital repairs, was approximately US\$5.0M.
- Despatches for FY2016 of 2,021.6kt were 0.2% higher than FY2015.
- Work continues on incremental expansion projects to increase hot strip mill and caster capacity.

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.

FY2016 SAFETY PERFORMANCE

- The Lost Time Injury Frequency Rate was stable at 0.6 in FY2016 compared to 0.6 in FY2015. An LTIFR performance of below 1.0 has been maintained for more than ten years
- The Medical Treated Injury Frequency Rate was 5.1 in FY2016 compared to 4.6 in FY2015; it has been below 7.0 for more than ten years.
- Pacific Steel, Fielders and Orrcon acquisitions were included in BlueScope statistics from July 2015.
- During FY2016, businesses have been concentrating on improving employee engagement, felt leadership and hand safety. The construction businesses have also been focusing on implementation and auditing of the BlueScope Construction Global Requirements, a set of consistent standards across all businesses.
- External recognition in FY2016 to date includes:
 - Steelscape Kalama (NS BlueScope North America) was awarded "Best Safety Practices" by the National Coil Coaters Association).
 - Michael Farrelly (BANZ Manufacturing Senior HSE Professional) received the Individual Practitioner Award at the annual Australian Steel Institute Health & Safety Excellence Awards.
 - Richard Beker (BANZ Manufacturing Victoria Processing Leader) received a special commendation for "Individual Safety Leader" at the 2015 Steel Transport Safety Awards.
 - Chennai (Tata BlueScope Building Products) received a "Best Safety Practice Award" from SAFE Association.
 - Jamshedpur (Tata BlueScope Building Products) received the Confederation of Indian Industry Eastern Region SHE Award (large scale manufacturing category).
- Safety achievements in FY2016 include:
 - BlueScope China: Suzhou – 10 years LTI free.
 - NS BlueScope Lysaght Vietnam – 20 years LTI free.
 - Buildings North America: Visalia – 9 years LTI free.
 - NS BlueScope North America: Kalama – 11 years LTI free.
 - BANZ Distribution: Ballarat – 17 years LTI free.
 - BANZ Manufacturing: Western Port Paint Lines – 7 years LTI free.

ENVIRONMENT

ENVIRONMENTAL MANAGEMENT

- The BlueScope 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 CLIMATE CHANGE POLICY

- During FY2015 the Australian Federal Government introduced its Direct Action policy, which includes the Emissions Reduction Fund (ERF), allowing companies to bid for funding for emissions reduction projects through a reverse auction process, and a Safeguard (baseline and compliance) Mechanism to limit emissions growth.
- The Safeguard Mechanism came into effect in July 2016.
- Reported emissions baseline determinations for the Port Kembla Steel Works and Western Port Works are currently being finalised by the Clean Energy Regulator.
- The Emissions Reduction Fund and Safeguard Mechanism are to be reviewed in 2017, in line with Australia meeting its post 2020 targets. BlueScope will continue to work with the Government on the future development of these policy instruments.
- 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 (currently 90%).
- The ETS is a domestic-only scheme from June 2015, but the initial scheme transition measures currently remain in place. 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.
- The Government's 2015/16 review of the NZ ETS to assess its operation and effectiveness to 2020 and beyond continues, but the Government has announced it is phasing out the one-for-two transitional measure from 1 January 2017. The current 50% surrender obligation will increase to 67% from 1 January 2017, 83% from 1 January 2018, and a full surrender obligation from 1 January 2019 for all sectors in the NZ ETS. New Zealand Steel allocations will increase proportionally with the removal of one-for-two. The Company will continue to engage with the Government, seeking acceptable financial outcomes from the ETS until the rest of the global steel industry faces the same responsibilities for emissions.

ABBREVIATIONS

1H	Six months ended 31 December in the relevant financial year
1H FY2016	Six months ended 31 December 2015
1H FY2017	Six months ended 31 December 2016
2H FY2015	Six months ended 30 June 2015
2H FY2016	Six months ending 30 June 2016
ADC	Anti-Dumping Commission
ASEAN	Association of South East Asian Nations
ASP	Australian Steel Products segment
AUD, A\$, \$	Australian dollar
BANZ	BlueScope Australia and New Zealand (comprising ASP and NZPac segments)
BB	BlueScope Buildings segment
BCDA	Former 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	Former 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 BlueScope Buildings segment
EITE	Emissions-intensive, trade-exposed
EPS	Earnings per share
FDI	Foreign direct investment
FY2015	12 months ended 30 June 2015
FY2016	12 months ending 30 June 2016
FY2017	12 months ending 30 June 2017
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
Leverage, or leverage ratio	Net debt over underlying EBITDA
Net debt	Gross debt less cash
n/m	Not meaningful
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	New Zealand & Pacific Steel segment
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 2016: John Andrew Bevan (Chairman), Daniel Bruno Grollo, Kenneth Alfred Dean, Paul Francis O'Malley (Managing Director and Chief Executive Officer), Penelope Bingham-Hall, Ewen Graham Wolseley Crouch AM, Lloyd Hartley Jones, and Rebecca Patricia Dee-Bradbury. Graham John Kraehe AO (Chairman) ceased to be a Director on 19 November 2015.

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

DIRECTORS' BIOGRAPHIES

John Bevan, Chairman (Independent)

Age 59, BCom (Mkt)

Director since: March 2014

Directorships of other Australian listed entities in the past three years: Ansell Limited (August 2012 to date), Nuplex Industries Limited (September 2015 to date) and Alumina Limited (June 2008 to January 2014).

Mr Bevan was CEO of Alumina Limited from 2008 to 2014. 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 and Nuplex Industries Limited.

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

Mr Bevan is also Chair of the Nomination Committee.

Daniel Grollo, Non-Executive Director (Independent)

Age 46

Director since: September 2006

Directorships of other 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 is also a Non-Executive Director of UBS Grocon Real Estate. He brings extensive knowledge of the building and construction industry to the Board.

Mr Grollo has previously held positions as Chairman of the Green Building Council of Australia and National President of the Property Council of Australia and Member of the Prime Minister's Business Advisory Council.

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

Paul O'Malley, Managing Director and Chief Executive Officer

Age 52, 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.

Mr O'Malley is also Chairman of the Worldsteel Association Nominating Committee and a Trustee of the Melbourne Cricket Ground Trust.

Ken Dean, Non-Executive Director (Independent)

Age 63, BCom (Hons), FCPA, FAICD

Director since: April 2009

Directorships of other Australian listed entities in the past three years: Santos Limited (February 2005 to May 2016)

Mr Dean is a Director of Energy Australia Holdings Ltd and Mission Australia, and is a member of the Director Advisory Panel of the Australian Securities & Investments Commission. He has held directorships with Santos Limited, 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 also Chair of the Audit and Risk Committee.

Penny Bingham-Hall, Non-Executive Director (Independent)

Age 56, 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 is a director of DEXUS Property Group, the Port Authority of NSW and Macquarie Specialised Asset Management, 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 Tourism & Transport Forum, Infrastructure Partnerships Australia and as the inaugural Chairman of Advocacy Services Australia.

Ms Bingham-Hall spent more than 20 years in a variety of roles with Leighton Holdings (now Cimic Group) 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 Chair of the Remuneration and Organisation Committee.

Ewen Crouch AM, Non-Executive Director (Independent)

Age 60, BEc (Hons) LLB, FAICD

Director since: March 2013

Directorships of other listed entities in the past three years: Westpac Banking Corporation (February 2013 to date)

Mr Crouch is a Director of Westpac Banking Corporation. He is a member of the Commonwealth Remuneration Tribunal, Chairman of Mission Australia and a board member of Sydney Symphony Orchestra and Jawun.

Mr Crouch was a Partner at Allens from 1998 to 2013 where he was one of Australia's leading M&A lawyers. His roles at Allens included Chairman of Partners, Co-Head Mergers and Acquisitions and Equity Capital markets, Executive Partner – Asian Offices and Deputy Managing Partner, as well as 11 years' service on its board.

He was a member of the Takeovers Panel from 2010 to 2015. He is a Fellow of the Australian Institute of Company Directors and a member of its Law Committee.

Mr Crouch brings to the Board the breadth of his experience in financial markets, governance and risk together with his knowledge of strategic mergers, acquisitions and cross border finance transactions.

Lloyd Jones, Non-Executive Director (Independent)

Age 63, BEng, MBA

Director since: September 2013

Directorships of other Australian listed entities in past three years: RCR Tomlinson Ltd (November 2013 to date)

Mr Jones is a director of Myer Family Investments Pty Ltd and RCR Tomlinson Ltd. He is also an advisory director to a division of Deutsche Bank in Australia and a member of the Advisory Council to the Dean of Mathematics, Computing Science and Engineering at the University of Western 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.

Rebecca Dee-Bradbury, Non-Executive Director (Independent)

Age 48, 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), GrainCorp Limited (30 September 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 GrainCorp Limited. She is also an inaugural Member of the Business Advisory Board for the Monash Business School, and a former member of the Federal Government's Asian Century Strategic Advisory Board. Ms Dee-Bradbury 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 20 years' experience in private practice and corporate roles.

Darren Mackenzie, BA, LLB (Hons)

General Counsel, BANZ with BlueScope Steel. A lawyer with 20 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
J A Bevan	46,126	-
P F O'Malley	871,183	4,119,653
D B Grollo	38,447	-
K A Dean	40,488	-
P Bingham-Hall	57,834	-
E G W Crouch	32,500	-
L H Jones	42,000	-
R P Dee-Bradbury	27,300	-

MEETINGS OF DIRECTORS

Attendance of the current Directors at Board and Board Committee meetings from 1 July 2015 to 30 June 2016 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
J A Bevan	12	11 ⁴	1	4 ¹	4	6 ²	4	4	5	5	2	2	1	1
P F O'Malley	12	12	-	3 ³	-	6 ³	4	4	-	2 ³	2	2	1	1
D B Grollo	12	12	-	-	6	5 ⁵	4	4	5	5	-	-	1	1
K A Dean	12	12	4	4	-	1	4	4	5	5	1	1	1	1
P Bingham-Hall	12	12	-	-	6	6	4	4	5	5	1	1	1	1
E G W Crouch	12	12	4	4	-	-	4	4	5	5	2	2	1	1
L H Jones	12	12	4	4	-	-	4	4	5	5	-	-	1	1
R P Dee-Bradbury	12	12	1	1	6	6	4	4	5	5	-	-	1	1

All current Directors have held office for the entire year ended 30 June 2016.

A = number of meetings held in the period 1 July 2015 to 30 June 2016 during which time the relevant Director was a member of the Board or the Committee, as the case may be.

B = number of meetings attended by the relevant Director from 1 July 2015 to 30 June 2016.

1 Mr Bevan came off this Committee when he became Chairman and continues to attend as part of his duties as Chairman.

2 Mr Bevan joined this Committee when he became Chairman.

3 The Managing Director and Chief Executive Officer is not a Committee member and attends by invitation as required.

4 A special purpose Board 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. The relevant special purpose meeting took place prior to Mr Bevan's appointment as Chairman and he was provided with a separate briefing.

5 A special purpose Remuneration & Organisation Committee (ROC) 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. Mr Grollo was provided with separate briefing.

There were 4 special purpose Board meetings and 1 special purpose ROC meeting held during the year.

The Non-Executive Directors met three times during the year ended 30 June 2016 (without the presence of management). Non-Executive Directors' meetings are chaired by the Chairman of the Board.

REMUNERATION REPORT (AUDITED)

Letter from the Chair of the Remuneration and Organisation Committee

Dear fellow Shareholder

I am pleased to present our Remuneration Report for 2016.

BlueScope is a global company operating in 17 countries around the world with a large and successful presence throughout Asia and the United States, in addition to its operations in Australia and New Zealand. During FY2016 the Company grew across its Asian and US operations in what continues to be challenging times for the global steel industry. In FY2016 BlueScope delivered a \$293.1M underlying net profit after tax, a \$159M increase from FY2015 including growing underlying EBIT by 89% to \$570.5M.

BlueScope is one of the few steel companies in the world that is not only profitable but also improving its profitability. Driving this was:

- Continued growth and investment in our Asian and North American Coated and Buildings businesses.
- Significant progress made in restructuring our Australian and New Zealand steel-making operations to improve cost competitiveness during a very difficult time in the global steel-making industry. The restructuring was achieved with the support of our employees, the local community, unions and governments. The significant progress made in the restructuring initiatives saved 4,500 direct jobs in the Illawarra by avoiding a closure of the Port Kembla Steelworks, and along with productivity improvements in our Buildings businesses in the United States and China, delivered a total of **\$327.5M of management initiated cost savings across the company**. This is net of escalation during the year.
- Acquisition of the 50% share that we did not own in the North Star BlueScope Steel business based in Delta, Ohio in the United States. The business was acquired at a time of low industry margins. Since the acquisition, industry margins in the United States have improved dramatically, and as a result the business is delivering pleasing financial performance.

Recognising the profitable performance outside Australia, and the challenges in Australia and New Zealand, the compensation arrangements for the Managing Director and Chief Executive Officer (MD & CEO), and the other Key Management Personnel (KMP) Executives, were adjusted at the start of the year to ensure ongoing and close alignment with shareholders and to reflect the company's transition. These arrangements, detailed below, were approved with a 95% vote of support from shareholders at last year's AGM:

- **A fixed pay freeze for FY2016 and FY2017** for the MD & CEO and KMP Executives.
- Performance based incentive packages rewarded **entirely in equity with no cash payments**.
- **No Short Term Incentives (STI) for the MD & CEO in FY2016**. In its place **a two year equity STI program was established** with performance to be measured over the two year period to the end of FY2017.
- **No STI for the Chief Executive BlueScope Australia & New Zealand (BANZ) for FY2016**.
- Other KMP participated in the same two year equity STI program as the MD & CEO with performance measured over the two year period to the end of FY2017, with the exception of the portion related to FY2016 financial performance which is assessed at the end of FY2016.
- The Long Term Incentive Plan (LTI) was amended to introduce a second performance condition as a response to shareholder feedback. Half of the share rights are subject to a relative Total Shareholder Return (TSR) condition and the other half are subject to a compound annual growth rate of Earnings per Share (EPS) condition.
- The FY2017 LTI Plan award was brought forward to coincide with the FY2016 award. The performance period commenced one year early on 1 September 2015, with a four year term to 31 August 2019 (plus one retest on the relative TSR component only).

As Chair of the Board's Remuneration and Organisation Committee, I worked closely with my fellow Directors, our external advisers and management to ensure we have an effective remuneration program which continues to motivate our people to deliver results.

The Board believes that the arrangements detailed above maximise the alignment of remuneration for executives with the interests of shareholders and are supporting the successful implementation of our two year strategy programme. **Based on the Board's interim assessment against the targets set for the two year STI program, performance is currently tracking well above Target and this is likely to result in strong outcomes**. The final assessment will be reflected in the FY2017 Report when details of actual performance outcomes against the two year targets will be disclosed.

I trust you, our shareholders, find the 2016 Remuneration Report provides clear and informative insights into our executive remuneration policies, practices and outcomes.



Penny Bingham-Hall
Chair of the Remuneration & Organisation Committee

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7.	Related party transactions	37

1. INTRODUCTION

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 2016. 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.

1.1 KEY MANAGEMENT PERSONNEL

This Report focuses on the remuneration of Key Management Personnel (KMP) of BlueScope Steel Limited. These KMP include those members of the Executive Leadership Team (KMP Executives) who have the authority and responsibility for planning, directing and controlling the activities of the Company.

The following table lists the KMP for FY2016¹.

Name	Position	Dates position held during year (if not the full year)
Senior Executives		
Mr Paul O'Malley	Managing Director & CEO	
Mr Sanjay Dayal	Chief Executive, NS BlueScope	
Mr Charlie Elias	Chief Financial Officer	
Mr Pat Finan	Chief Executive, BlueScope Buildings	
Mr Mark Vassella	Chief Executive, BlueScope Australia and New Zealand	
Mr Bob Moore	Chief Executive, Global Building Solutions	1 July - 30 November 2015
Non-executive Directors		
Mr John Bevan	Chairman of the Board	Appointed Chairman 19 November 2015
Ms Penny Bingham-Hall	Non-Executive Director	
Mr Ewen Crouch AM	Non-Executive Director	
Mr Ken Dean	Non-Executive Director	
Ms Rebecca Dee-Bradbury	Non-Executive Director	
Mr Daniel Grollo	Non-Executive Director	
Mr Lloyd Jones	Non-Executive Director	
Mr Graham Kraehe AO	Former Chairman of the Board	1 July – 19 November 2015

1) A review of all existing KMP roles was conducted, and concluded that the following Executives no longer met the criteria for consideration as KMP- Chief Legal Officer and Company Secretary, and Executive General Manager, People & Performance.

1.2 CONTEXT

BlueScope's remuneration structures play an important role in motivating executives to deliver the business strategy and deliver results that reward shareholders. The Board therefore takes great care to ensure that, as the business priorities evolve, so too do BlueScope's remuneration arrangements.

Over recent years, BlueScope has successfully navigated the challenges of a global steel industry undergoing fundamental change. In the years ahead, it will be even more critical for BlueScope to deliver game-changing cost and revenue improvements. The Board reviewed the Company's remuneration arrangements, and as foreshadowed in the FY2015 Remuneration Report and Annual General Meeting, a number of special arrangements have been implemented for FY2016 and FY2017 to increase the alignment of executive remuneration with shareholder experience.

The new reward arrangements have shifted the performance emphasis to strategic outcomes over a two year timeframe, linked to earnings growth and share price performance over four years. This provides even closer alignment with shareholder experiences.

Key features of the FY2016 and FY2017 reward arrangements for the MD & CEO and other KMP Executives are outlined below:

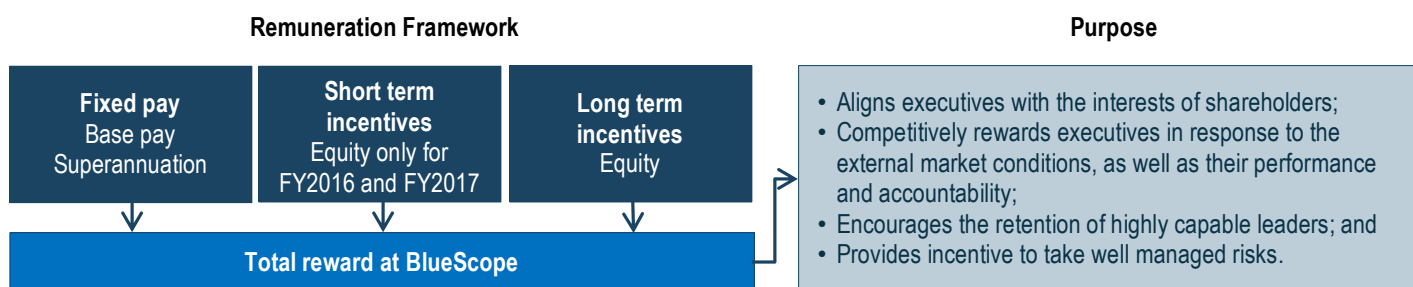
- The base pay of the MD & CEO was frozen at FY2015 levels for two years. All FY2016 and FY2017 STI and LTI awards, where provided to the MD & CEO, are equity awards with no cash incentives paid in respect of FY2016 or FY2017.
- The only compensation paid to the MD & CEO, solely related to FY2016, is base pay and superannuation frozen at FY2015 levels. All equity awards disclosed were approved by shareholders at the AGM in November 2015.
- Fixed pay was also frozen for FY2016 and FY2017 for all KMP Executives.
- The FY2016 and FY2017 STI opportunities have been merged into a single incentive and delivered entirely as share rights (no cash payments will be made). The rights are awarded up-front and may vest subject to performance assessed at the end of two years. The performance conditions are assessed 50% against Company-wide underlying Net Profit After Tax (NPAT) and Business Unit underlying Earnings Before Interest and Tax (EBIT) and Free Cash Flow (FCF) targets, and 50% against safety and other strategic objectives based on business priorities.
- Mark Vassella the Chief Executive of BlueScope ANZ will not receive an STI for FY2016. This is consistent with the interventions in the Australian and New Zealand business restructures announced in August 2015. Other KMP Executives are eligible for awards for the FY2016 financial component of their STI (underlying NPAT / EBIT and FCF) which have a one year deferral. The remainder of their award and all of the MD & CEO's award will be assessed at the conclusion of FY2017.
- The LTI plan has been amended to introduce a second performance condition. Half of the share rights are subject to a relative TSR condition and the other half are subject to a compound annual growth rate of Earnings per Share (EPS) condition.
- The FY2017 LTI plan award has been brought forward to coincide with the FY2016 award. The performance period commenced one year early on 1 September 2015, with a four year term to 31 August 2019 (plus one retest on the relative TSR component only).

The Board is confident these changes will enhance the alignment between shareholder and executive interests and will motivate executives to achieve the Company's strategy.

2. REMUNERATION FRAMEWORK AND POLICY

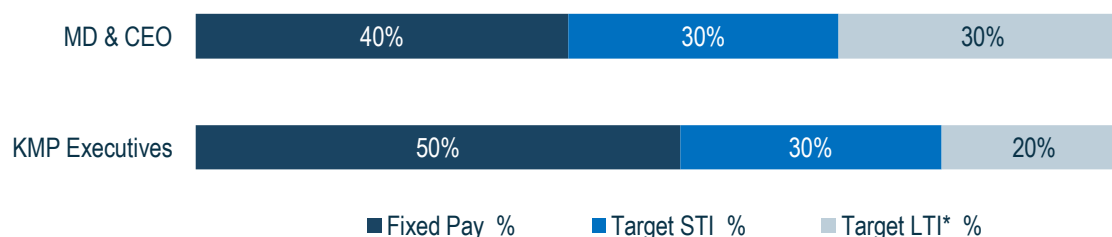
2.1 FRAMEWORK AND PURPOSE

At BlueScope, executive remuneration packages typically comprise three elements – fixed pay, short term incentives and long term incentives, the purpose of which is to align executive reward with shareholder outcomes, executive performance, and the retention of key talent. Although these elements are described separately, they must nevertheless be viewed as part of an integrated package:



In exceptional circumstances, a further element relating to targeted retention may also be applied. No retention awards were made to KMP during FY2016.

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. While there have been changes to BlueScope's reward structure in FY2016, the reward mix has not changed. For KMP the usual mix of elements as a proportion of total remuneration at target in FY2016 is shown below:



* Target LTI value based on an estimate of the fair value of target awards. Face value is used for allocation purposes.

2.2 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 fixed pay – around the 60th percentile of the peer group noted at section 6.3. Fixed pay is base pay plus superannuation.

In FY2016, fixed pay was frozen for the MD & CEO and other KMP Executives.

2.3 SHORT TERM INCENTIVE (STI)

The following table summarises the STI plan that applied in FY2016.

Feature	Description																			
Purpose	To achieve BlueScope's overall strategic objectives by motivating executives to deliver on priority team-based outcomes.																			
Eligibility	All KMP Executives disclosed in this report.																			
Value/opportunity	<p>Target STI levels are set having regard to appropriate levels in the market and are:</p> <ul style="list-style-type: none"> 80% of base pay (or 70% of fixed pay) for the MD & CEO 60% of base pay (or 53% of fixed pay) for the other KMP Executives <p>Maximum STI (for outstanding results or stretch outcomes) are capped at:</p> <ul style="list-style-type: none"> 120% of base pay for the MD & CEO 90% of base pay for the other KMP Executives 																			
Performance conditions	<p>As previously flagged, changes were made to the STI plan for FY2016 and FY2017. The key changes to the performance conditions are as follows:</p> <ul style="list-style-type: none"> As foreshadowed at the 2015 AGM, financial and strategic STI objectives to be measured over two years to FY2017 for the MD & CEO To retain focus on annual financial performance, financial objectives to be measured over one year for other KMP Executives (except Mark Vassella, Chief Executive BANZ, who did not participate in the FY2016 STI Plan) covering both company-wide performance and Business Unit performance, with strategic objectives to be measured over two years <p>The table below outlines the performance measures and relative weightings for the FY2016 / FY2017 STI Plan:</p> <table border="1"> <thead> <tr> <th colspan="2">Performance measures</th> <th>MD & CEO weighting</th> <th>Other KMP Executives weighting</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Financial performance</td> <td>Company-wide underlying Net Profit After Tax (2/3rds), Cash Flow from Operations (1/3rd)</td> <td>50%</td> <td>25%</td> </tr> <tr> <td>Controllable Business Unit underlying Earnings Before Interest and Tax (2/3rds), Cash Flow from Operations (1/3rd)</td> <td>0%</td> <td>25%</td> </tr> <tr> <td>Zero harm</td> <td>Safety performance measures, including Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) – see below</td> <td>5%</td> <td>5%</td> </tr> <tr> <td>Strategy</td> <td>Performance measures based on results from the execution and implementation of business priorities included in the strategic plan</td> <td>45%</td> <td>45%</td> </tr> </tbody> </table>	Performance measures		MD & CEO weighting	Other KMP Executives weighting	Financial performance	Company-wide underlying Net Profit After Tax (2/3rds), Cash Flow from Operations (1/3rd)	50%	25%	Controllable Business Unit underlying Earnings Before Interest and Tax (2/3rds), Cash Flow from Operations (1/3rd)	0%	25%	Zero harm	Safety performance measures, including Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) – see below	5%	5%	Strategy	Performance measures based on results from the execution and implementation of business priorities included in the strategic plan	45%	45%
Performance measures		MD & CEO weighting	Other KMP Executives weighting																	
Financial performance	Company-wide underlying Net Profit After Tax (2/3rds), Cash Flow from Operations (1/3rd)	50%	25%																	
	Controllable Business Unit underlying Earnings Before Interest and Tax (2/3rds), Cash Flow from Operations (1/3rd)	0%	25%																	
Zero harm	Safety performance measures, including Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) – see below	5%	5%																	
Strategy	Performance measures based on results from the execution and implementation of business priorities included in the strategic plan	45%	45%																	

Feature	Description										
	<p>For FY2016, only the financial component of the performance conditions for other KMP Executives was eligible for assessment. No assessment of performance for the MD & CEO will be made until the conclusion of FY2017.</p> <p>Safety-related performance conditions in the STI plan</p> <p>BlueScope is proud of its world leading safety performance and safety remains its first priority and core value. Historically, the Company has set percentage improvement targets on Lost Time Injury Frequency Rates (LTIFR) and Medical Treatment Injury Frequency Rates (MTIFR) to support our journey to Zero Harm by encouraging a safe and healthy work environment. Over time, and as performance has improved, targets, including performance hurdles, have been introduced to allow businesses to nominate performance indicators appropriate to their level of safety maturity, risk profile and priority focus. Safety is our number one priority, and the Board and Management are committed to ensuring that cost savings are not implemented at the expense of safety.</p> <p>This approach accommodates businesses with low or zero LTIFR and MTIFR performance, where these metrics are no longer appropriate measures of safety improvement. It also allows our diverse businesses to select from a range of performance indicators the most appropriate ones for their business to measure and reward safety improvement.</p> <p>For KMP Executives, a performance hurdle of no fatality and a LTIFR of <1 is in place. MTIFR improvement targets are established against the previous year's performance.</p> <p>For individual business units, a benchmark (Best practice LTIFR and MTIFR) is set at the highest business level (NS BlueScope, BlueScope Buildings, North Star BlueScope or BANZ) based on the previous year's results. Business Units whose performance is worse than the best practice benchmark are required to maintain improvement targets focused on output (LTIFR/MTIFR) measures. Business Units performing at or better than the best practice benchmark can substitute output measures with input measures better suited to their individual circumstances and drive improved performance. These businesses select from an approved list of leading indicators.</p>										
Mechanics and target setting	<p>Performance targets for FY2016 have been set in the context of the specific business strategy and new priorities. Performance conditions, including Threshold, Target and Stretch hurdles, are set for each plan and approved by the Board for all KMP Executives. If the Threshold level is not reached, no payment is made in respect of that goal.</p>										
Payment/deferral	<p>In prior financial years, two-thirds of any STI payment was made in cash, and one third was withheld and awarded in restricted equity with a one year trading lock. <i>In FY2016, STI payment takes the form of equity only, and no cash payments will be made. Share rights have been awarded upfront, and will only vest to the extent that the performance conditions have been achieved.</i></p> <p>For each performance condition, the number of share rights that will vest will be determined as follows:</p> <table border="1" data-bbox="456 1272 1503 1514"> <thead> <tr> <th data-bbox="456 1272 991 1323">Performance condition target</th> <th data-bbox="999 1272 1503 1323">% of share rights that vest</th> </tr> </thead> <tbody> <tr> <td data-bbox="456 1323 991 1368">Below threshold</td> <td data-bbox="999 1323 1503 1368">0%</td> </tr> <tr> <td data-bbox="456 1368 991 1413">Threshold</td> <td data-bbox="999 1368 1503 1413">33%</td> </tr> <tr> <td data-bbox="456 1413 991 1458">Target</td> <td data-bbox="999 1413 1503 1458">67%</td> </tr> <tr> <td data-bbox="456 1458 991 1503">Maximum</td> <td data-bbox="999 1458 1503 1503">100%</td> </tr> </tbody> </table> <p>For FY2016, the financial component of the performance conditions for KMP Executives was assessed, with the STI outcomes provided in section 3.1.</p> <p>The Board continues to have discretion to clawback 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.</p>	Performance condition target	% of share rights that vest	Below threshold	0%	Threshold	33%	Target	67%	Maximum	100%
Performance condition target	% of share rights that vest										
Below threshold	0%										
Threshold	33%										
Target	67%										
Maximum	100%										
Governance	<p>The Board retains the discretion to limit, defer or cancel any STI awards in exceptional circumstances, including determining that a reduced award or even no award should vest.</p>										

2.4 LONG TERM INCENTIVE (LTI)

The following table summarises the LTI plan that applied in FY2016.

Feature	Description										
Purpose	LTI is one of the means of aligning executives with the experience of shareholders.										
Eligibility	All KMP Executives disclosed in this report.										
Value/opportunity	The quantum of LTI awards is calculated based on an agreed percentage of base salary divided by the face value of shares using the volume weighted average price over the three months prior to the commencement of the performance period. The LTI award level for the MD & CEO is 155% of base pay and for the KMP Executives is 80% of base pay. Fair value 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. These levels are reviewed annually.										
Instrument	Share rights vest into fully paid ordinary BSL shares subject to time and performance conditions being met.										
Performance conditions	<p>As previously communicated, BlueScope has introduced an Earnings Per Share (EPS) hurdle to complement relative Total Shareholder Return (TSR) in FY2016. The Board has given careful consideration to the selection of this new second performance condition recognising some shareholders have a preference for EPS measures and others for capital return-based measures. EPS has been selected as the additional performance condition as the Board considers that return-based measures can be directly influenced by particular strategic decisions. EPS better measures financial results delivered by the Company, irrespective of particular strategy initiatives. The Board will review the appropriateness of EPS (or an alternative performance condition) for future awards.</p> <p>For the FY2016 LTI award:</p> <ul style="list-style-type: none"> ▪ 50% is assessed against relative TSR compared to the ASX 100 over a three year period, plus a single retest which reflects the ongoing impact of volatility on the retention and incentive value of the LTI, and operates to extend the performance period from three years to four years. The re-test requires significant outperformance in the fourth year before any vesting. In the absence of a relevant local or global peer group, the ASX 100 is considered to be appropriate given BlueScope's relative market positioning and best reflects the markets where we compete for capital. ▪ 50% is assessed against the compound annual growth rate (CAGR) in EPS over a three year period and refers to underlying EPS, and does not include a re-test. <p>In order to further enhance the alignment of long term incentives with shareholder reward the FY2017 LTI award has been brought forward and granted at the same date as the FY2016 award, with the performance period on both the TSR and EPS hurdles increasing to four years (with one re-test on the TSR portion). This of course resulted in a grant of two LTIP tranches in FY2016, doubling the number in this particular year as shown in table 4.3.</p> <p>Relative TSR vesting schedule:</p> <table border="1"> <thead> <tr> <th>Percentile achievement</th> <th>Vesting outcome (% of award that vests)</th> </tr> </thead> <tbody> <tr> <td>Less than 51st percentile</td> <td>0%</td> </tr> <tr> <td>51st percentile</td> <td>40%</td> </tr> <tr> <td>Between 51st percentile and 75th percentile</td> <td>Straight line vesting</td> </tr> <tr> <td>75th percentile and above</td> <td>100%</td> </tr> </tbody> </table> <p>The EPS performance condition provides that no EPS share rights vest until the Company's EPS CAGR reaches a "threshold" level. At this level, 40% of the EPS share rights vest. At a "maximum" level, 100% of the EPS share rights will vest. If the Company's EPS CAGR is between the "threshold" and "maximum" levels, the number of EPS share rights that vest will be pro-rated on a straight-line basis.</p> <p>The Company has a policy not to provide earnings guidance to the market. The Board has established EPS CAGR targets and set the "threshold" and "maximum" levels, which will require a significant uplift in the Company's earnings and will take account of the Company's long-term business plans and financial projections, market practice and consensus forecasts. EPS CAGR targets were set on the basis of a starting point that included an assumed 100% ownership of North Star for FY2015 – in other words the earnings impact from the acquisition of the remaining 50% of North Star during FY2016 has been taken into account in establishing the starting point for the EPS targets. The Board will advise details of the specific underlying EPS CAGR targets and performance against the targets following the end of the performance period/s.</p>	Percentile achievement	Vesting outcome (% of award that vests)	Less than 51 st percentile	0%	51 st percentile	40%	Between 51 st percentile and 75 th percentile	Straight line vesting	75 th percentile and above	100%
Percentile achievement	Vesting outcome (% of award that vests)										
Less than 51 st percentile	0%										
51 st percentile	40%										
Between 51 st percentile and 75 th percentile	Straight line vesting										
75 th percentile and above	100%										
Hedging	Executives are not permitted to hedge (such as 'cap and collar' arrangements) LTI awards.										

Feature	Description
Governance	The Board retains the discretion to limit, defer or cancel any LTI awards in exceptional circumstances (such as change of control), including determining that a reduced award or even no award is paid.

2.5 EXECUTIVE SHAREHOLDING GUIDELINES

The Board considers executive shareholdings as a simple and transparent means of aligning the interests of shareholders and executives. To support this principle, an executive shareholding policy has been put in place which requires the MD & CEO to build a minimum value of shares equivalent to 100% of base pay to be accumulated over time and for the KMP Executives a minimum of 50% of base pay.

3. REWARD OUTCOMES - THE LINK BETWEEN REMUNERATION AND PERFORMANCE

3.1 OVERVIEW OF BUSINESS PERFORMANCE

FY2016 performance is being considered in the context of the delivery of significant improvements in overall Company financial performance.

- Despite the weakest regional commodity steel spreads since BlueScope listed in 2002, delivery on management initiatives led to strong growth underlying NPAT (up 119% on FY2015 to \$293.1M). Underlying EBIT was up 89% on FY2015 to \$570.5M
- Net debt at 30 June 2016 was \$778.0M, up on 30 June 2015 primarily due to the acquisition of 50 per cent of North Star BlueScope Steel, but reduced by \$595.4M from 31 December 2015. The leverage ratio (net debt to proforma underlying EBITDA) at 30 June 2016 of 0.8, was halved from the position at 31 December 2015 of 1.6. The Company achieved strong cash flow in the second half, driven by stronger cash earnings and timing of working capital reductions.

The following table outlines financial achievement for the other KMP Executives under the FY2016 STI plan. The remainder of the FY2016 award will be assessed at the conclusion of FY2017. All of the MD & CEO's FY2017 award will be assessed at the conclusion of FY2017 having regard to performance over the two year period.

KMP STI outcomes for FY2016 financial performance

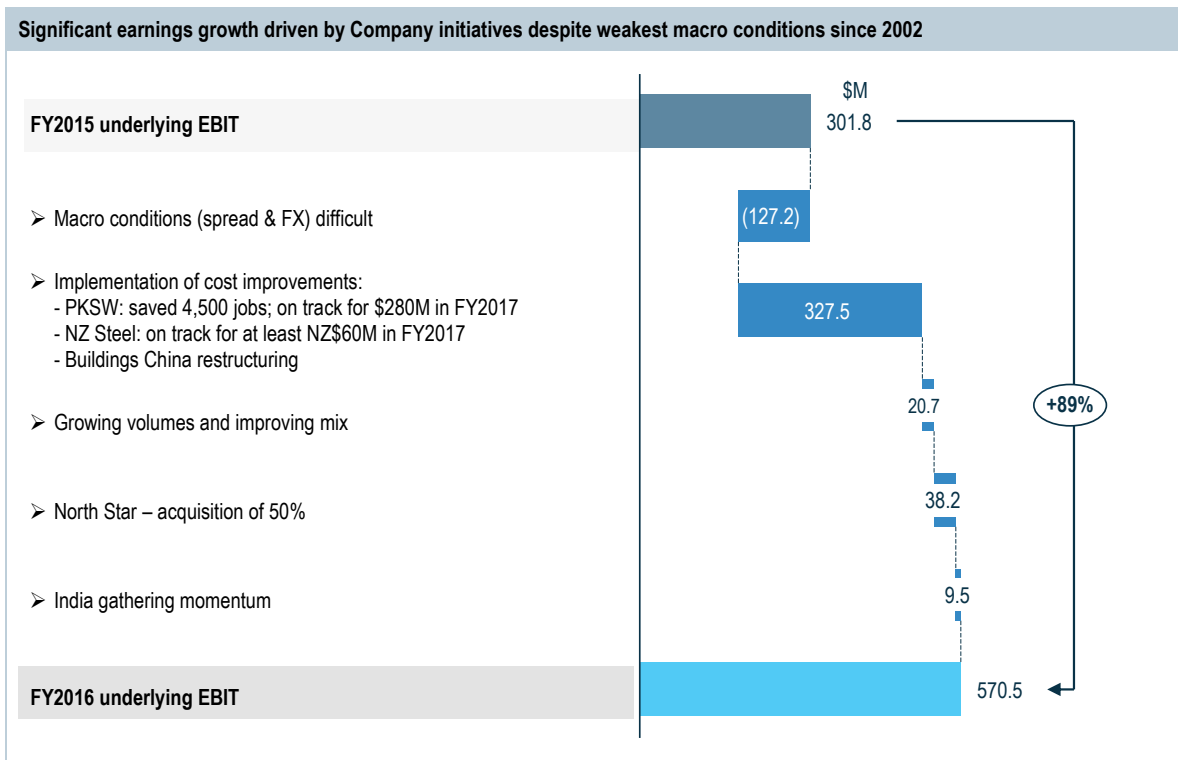
Company wide	Underlying NPAT				●
	Free Cash Flow (FCF)				●
NS BlueScope	Underlying EBIT			●	
	FCF				●
BlueScope Buildings	Underlying EBIT			●	
	FCF				●
North Star BlueScope ¹	Underlying EBIT	●			
	FCF	●			
Australia and New Zealand	Underlying EBIT				●
	FCF				●
		Below threshold	Threshold	Target	Above target

1. Financial targets for FY2016 were set and performance was measured on the basis of an assumed 50% ownership of North Star for the entire year.

The Board also set challenging targets for the MD & CEO to be achieved by 30 June 2017 for a range of strategic priorities. Significant progress has been made during FY2016 in the delivery of these projects and the Board anticipates that the targets established at the start of FY2016 are likely to be exceeded by 30 June 2017. Achievements to date include:

- Coated & Painted growth in ASEAN, North America & India underlying EBIT; home appliance steels (SuperDyma®) in production in Thailand; growth in Australian domestic coated product sales.
- Building Solutions: continued growth in North America earnings; total China earnings turning the corner, with reduced losses at China Buildings.
- North Star BlueScope Steel: acquired Cargill's 50% share on 30 Oct 2015, to move to full ownership; steel spreads strengthened considerably going into FY2017.
- Australia & New Zealand Steelmaking: delivered \$235M cost savings in FY2016: saving 4,500 jobs, avoiding an estimated \$750M mothballing/closure costs at Port Kembla and preserving benefit of exposure to higher Australian steel prices. Good progress on NZ cost savings.

The chart below shows the management initiatives in FY2016 to reduce costs have significantly benefited the company in a year when the macro environment for steel was at record lows.

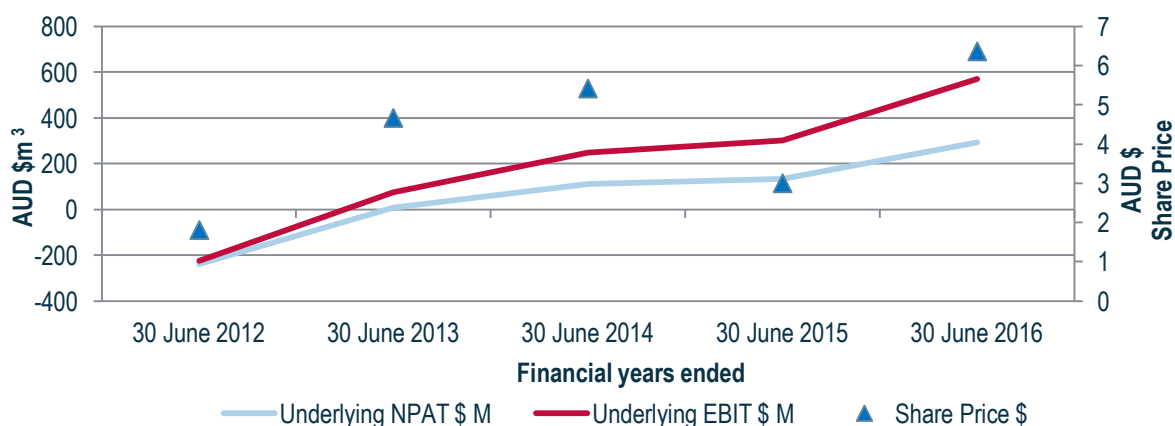


Our reward arrangements are aligned with a combination of the measures shown in the table and graph below:

- Significantly below target STI Awards were made in FY2012 with higher STI awards made in FY2013 and FY2014 reflecting the significant improvement in performance in those years.
- Notwithstanding the improvements in financial performance in FY2015, STI Awards were less than 50% of target reflecting the challenging business circumstances faced by the Company, particularly in New Zealand, China and the lower than expected spreads in the Australian business.
- No LTI Awards vested between 2008 and 2014. Details of awards which vested in FY2016 are included in table 3.3 below.

The table and graph below summarises the Company's performance for FY2016 and the previous four years.

Measure	30 June 2012	30 June 2013 ¹	30 June 2014	30 June 2015	30 June 2016
Share price (\$) ²	1.80	4.67	5.42	3.00	6.37
Dividend per Ordinary Share (cents)	0	0	0	6	6
Earnings per Share (cents)	-234.6	-19.1	-14.8	24.3	62.1



1) 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 FY2011 and FY2012 have not been restated.

- 2) On 19 December 2012, the Company consolidated its share capital through the conversion of every six shares in the Company into one ordinary share in the Company. As a result, share prices and earnings per share for the prior periods have been restated to reflect this change.
- 3) Underlying earnings (NPAT and EBIT) are categorised as 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 which has been audited by our external auditors. Underlying adjustments have been considered in relation to their size and nature, to assist readers to better understand the financial performance of the underlying business. These adjustments are assessed on a consistent basis from period to period and include both favourable and unfavourable items.

3.2 SHORT TERM INCENTIVE (STI) OUTCOMES

Mr O'Malley and Mr Vassella are not eligible to receive an STI payment in FY2016. Consistent with the FY2016 STI plan detailed in section 2.3, the Board has resolved that the STI outcomes for FY2016 financial performance set out in section 3.1 were achieved for the year.

KMP	% of target STI assessed	% of STI to be assessed in FY2017
Paul O'Malley	N/A	100%
Sanjay Dayal	25%	75%
Charlie Elias	25%	75%
Pat Finan	25%	75%
Bob Moore	N/A	N/A
Mark Vassella	N/A	See comment ¹

1. Consistent with the decision not to operate an STI Plan in BANZ business in FY2016, Mr Vassella did not participate in the STI programme. Following the reintroduction of incentives in that business for FY2017, Mr Vassella will participate in the STI Plan for FY2017.

3.3 LONG TERM INCENTIVE (LTI) OUTCOMES

The table below shows the results of LTI awards made in prior years, and those that remain outstanding:

Allocation year:	LTI award vesting status
FY2008	Lapsed in full
FY2009	Lapsed in full
FY2010	Lapsed in full
FY2011	Lapsed in full
FY2012	No award was made to the MD & CEO. For KMP Executives other than the MD & CEO, the award vested in full in FY2015 with a 12 month holding condition which was released during FY2016.
FY2013	100% of the MD & CEO's FY2013 award vested in FY2016, 94.44% vested on 1 September 2015 and the balance vested on retest on 1 March 2016. This was the MD & CEO's first LTI award to vest in seven years. 100% of the FY2013 Retention Rights award to the other KMP Executives vested on 1 September 2015 and 81.95% of the FY2013 Share Rights award vested in FY2016 with a 24 month holding condition to be released in FY2018. The only exception was to permit the release of a portion of the shares to pay tax liabilities incurred on vesting.
FY2014	To be tested during FY2017
FY2015	To be tested during FY2018
FY2016	To be tested during FY2019
FY2017	To be tested during FY2020

Vesting is subject to relative TSR performance against the companies in the ASX100. Refer to section 4.2 for details.

4. EXECUTIVE REMUNERATION TABLES

4.1 KEY MANAGEMENT PERSONNEL – EXECUTIVES (INCLUDING MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER)

The audited information contained in the following tables represents the annual remuneration for the year ended 30 June 2016 for the KMP.

The changes to the BlueScope remuneration framework discussed throughout this report have given rise to a significant increase in the Share-based payments expense for each currently serving KMP in FY2016. This is primarily due to:

- **No cash STI. All short and long term incentives are in equity.**
- **FY2016 and FY2017 STI provided entirely in Share Rights, all of which were granted in FY2016 and amortised over two years subject to performance being achieved over the two year period.**
- **FY2016 and FY2017 LTI being provided entirely in Share Rights, all of which were granted in FY2016 and amortised over three and four years respectively subject to performance being achieved over three and four year performance periods respectively.**

It is important to note that no further STI (other than for Mr Vassella) or LTI Share Rights grants will be made in FY2017, and that the Share-based payments expense will decrease in FY2017 as a result.

Name	Year	Salary and fees ¹ \$	Movement in annual leave provision ² \$	Short Term Incentive ³ \$	Non-monetary ⁴ \$	Other ⁵ \$	Sub-total \$	Superannuation \$	Movement in Long Service Leave \$	Share Rights ^{3,6} \$	Total \$	% of performance related pay ⁷ %
Executive Director												
P F O'Malley	2016	1,856,575	43,041	0	0	229,921	2,129,537	30,000	(117,755)	5,487,501	7,529,283	72.9
	2015	1,847,459	(90,051)	481,224	1,133	228,645	2,468,410	30,000	57,929	1,814,810	4,371,149	52.5
KMP Executives												
M R Vassella	2016	1,060,900	(44,771)	0	0	118,526	1,134,655	30,000	26,555	821,137	2,012,347	40.8
	2015	1,055,691	(67,134)	201,995	0	117,797	1,308,349	30,000	41,622	598,264	1,978,235	40.5
S R Elias	2016	825,185	(12,607)	0	0	85,526	898,104	30,000	20,659	1,334,350	2,283,113	58.4
	2015	821,932	(3,602)	163,057	1,161	92,333	1,074,881	30,000	24,431	475,480	1,604,792	39.8
S Dayal ⁸	2016	951,720	29,284	0	(128,570)	103,241	955,675	30,000	24,110	2,576,224	3,586,009	71.8
	2015	947,047	24,673	177,401	(72,091)	119,413	1,196,443	30,000	27,962	50,784	1,305,189	17.5
P J Finan	2016	796,594	18,013	0	961	0	815,568	27,297	0	1,188,588	2,031,453	58.5
	2015	632,945	11,245	124,253	0	0	768,443	23,527	0	323,683	1,115,653	40.2
R J Moore ⁹	2016	331,025	(20,441)	0	86,200	33,863	430,647	12,481	8,276	120,287	571,691	21.0
	2015	791,768	(1,395)	140,675	211,140	94,915	1,237,103	35,000	27,466	419,122	1,718,691	32.6
Total 2016		5,821,999	12,519	0	(41,409)	571,077	6,364,186	159,778	(38,155)	11,528,087	18,013,896	
Total 2015 ¹⁰		6,096,842	(126,264)	1,288,605	141,343	653,103	8,053,629	178,527	179,410	3,682,143	12,093,709	

1) There were no base pay increases during FY2016 apart from P J Finan who received a base pay increase of 8% due to his promotion to Chief Executive, BlueScope Buildings. Exchange rate differences also affected overseas based KMPs.

2) Negative movement in annual and long service leave provisions indicates leave taken during the year exceeded leave accrued during the current year. This is to be read in conjunction with column one (Salary and Fees).

3) There was no Short Term Incentive cash component in FY2016. All STI is included in Rights which is included as a share based payment. The FY2015 STI represents the 2/3 of STI payable in cash.

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) Includes all awards of share rights including Awards under Short Term and Long Term Incentive Plans.

7) The % of remuneration that is performance related recognises LTI based on accounting values and not vested amounts actually received by executives.

8) S Dayal had previously been awarded only cash rights due to certain Singapore restrictions. Changes were introduced in FY2015 to enable equity rewards to be made.

9) R J Moore retired effective 30 November 2015.

10) FY2015 totals reflect the remuneration of those individuals who were KMP for both FY2015 and FY2016 – refer section 1.1.

4.2 KEY TERMS OF OUTSTANDING LONG TERM INCENTIVE AWARDS

Share Rights granted, exercised and forfeited by the KMP during FY2016 were as follows:

- The MD & CEO's FY2013 award vested in full in FY2016, 94.44% vested on 1 September 2015 and the balance vested on retest on 1 March 2016. This was the MD & CEO's first LTI award to vest in 7 years.
- Vesting during the year for the other KMP was 100% of the FY2013 Retention Rights award vested on 1 September 2015 and 81.95% of the FY2013 Share Rights award vested in FY2016 with a 24 month holding condition to be released in FY2018. The only exception was to permit the release of a portion of the shares to pay tax liabilities incurred on vesting.

The following summary table of Long Term Incentive Plan Awards outlines the key terms of LTI grants:

SUMMARY TABLE OF LONG TERM INCENTIVE PLAN AWARDS					
FY2011		FY2013		FY2014 ¹	
Grant Date	30 November 2010	1 September 2012	1 September and 20 December 2012	14 November and 1 September 2013	
Description	Legacy LTI - all KMP Executives including MD & CEO	Legacy LTI for MD & CEO	Retention Rights for other KMP Executives	Current LTI structure with one retest for MD & CEO and other KMP Executives	
Vesting window	1 September 2013 to 31 October 2015	1 September 2015 to 31 October 2017	1 September 2015 to 31 October 2015	1 September 2016 to 31 October 2017	
Fair Value per share at Grant	\$7.20	\$1.32	\$1.01	\$3.51 (14 Nov 2013) \$3.30 (1 Sep 2013)	
Performance measure	Relative TSR versus ASX 100	Relative TSR versus ASX 100	Relative TSR versus ASX 100 and absolute share price threshold	Relative TSR versus ASX 100	
Vesting schedule	< 51st percentile = 0 vesting; ≥51st percentile 52% vests, increasing on a linear basis to 100% vesting at 75th percentile	< 51st percentile = 0 vesting; ≥51st percentile 52% vests, increasing on a linear basis to 100% vesting at 75th percentile	Vesting subject to a minimum share price of \$2.40. < 51st percentile = 0 vesting; ≥51st percentile 40% vests, increasing on a linear basis to 100% vesting at 75th percentile	< 51st percentile = 0 vesting; ≥51st percentile 40% vests, increasing on a linear basis to 100% vesting at 75th percentile	
FY2015 ¹		FY2016 ¹		FY2017 ¹	
Grant Date	1 September 2014	26 November 2015	26 November 2015	26 November 2016	
Description	Current LTI structure with one retest for MD & CEO and other KMP Executives	50% Current LTI structure with one retest for MD & CEO and other KMP Executives	50% Subject to EPS hurdle for MD & CEO and other KMP Executives	50% Current LTI structure with one retest for MD & CEO and other KMP Executives	50% Subject to EPS hurdle for MD & CEO and other KMP Executives
Vesting window	1 September 2017 to 31 October 2018	31 August 2018 to 31 August 2019	31 August 2018	31 August 2019 to 31 August 2020	31 August 2019
Fair Value per share at Grant	\$3.53	\$2.48	\$3.69	\$2.47	\$3.60
Performance measure	Relative TSR versus ASX 100	50% Relative TSR versus ASX 100	50% CAGR of the Company's EPS	50% Relative TSR versus ASX 100	50% CAGR of the Company's EPS
Vesting schedule	< 51st percentile = 0 vesting; ≥51st percentile 40% vests, increasing on a linear basis to 100% vesting at 75th percentile	< 51st percentile = 0 vesting; ≥51st percentile 40% vests, increasing on a linear basis to 100% vesting at 75th percentile	CAGR < Threshold 0 vesting; CAGR ≥ Threshold 40% vests increasing on a linear basis up to 100% vesting at Target	< 51st percentile = 0 vesting; ≥51st percentile 40% vests, increasing on a linear basis to 100% vesting at 75th percentile	CAGR < Threshold 0 vesting; CAGR ≥ Threshold 40% vests increasing on a linear basis up to 100% vesting at Target

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

4.3 SHARE RIGHTS AWARDED AS REMUNERATION AND 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 related parties, as well as the value of share rights granted and exercised, are set out in the tables below. The Share Rights granted during FY2016 were in respect of the deferred component of the FY2015 STI Plan and the FY2016/ FY2017 STI Plan, the FY2016 LTI Plan and the FY2017 LTI Plan. Vesting is subject to achieving challenging performance targets over a two to four year period consistent with the terms approved by shareholders at the November 2015 AGM:

- The FY2016 and FY2017 STI Plan will be assessed at the end of FY2017. No STI will be payable in cash for either FY2016 or FY2017 and the share rights will only vest if the financial and strategic performance hurdles are achieved.
- The FY2016 LTI Plan was awarded in two tranches and vesting is subject to achieving relative TSR and EPS CAGR targets over three years.
- The FY2017 LTI Plan was awarded in two tranches and vesting is subject to achieving relative TSR and EPS CAGR targets over a four year timeframe. This award was granted during FY2016 and no further awards will be granted during FY2017.

Share Rights holdings for FY2016

2016	Balance at 30 June 2015	Granted in year ended 30 June 2016 ¹	Vested and exercised in year ended 30 June 2016 ²	Lapsed in year ended 30 June 2016	Balance at 30 June 2016	Vested and not yet exercised in year ended 30 June 2016	Unvested at 30 June 2016	Total Share Rights vested in year ended 30 June 2016	Value of Share Rights granted during the year at grant date ³	Value of Share Rights exercised during the year ⁴
	#	#	#	#	#	#	#	#	\$	\$
Executive Director										
P F O'Malley	2,728,837	3,050,642	1,459,789	200,037	4,119,653	-	4,119,653	1,459,789	10,349,890	2,310,993
KMP Executives										
M R Vassella	693,708	770,631	303,370	75,053	1,085,916	-	1,085,916	303,370	2,384,063	499,442
S R Elias	545,544	841,922	236,391	63,863	1,087,212	-	1,087,212	236,391	2,914,939	408,033
S Dayal	615,921	969,764	265,722	67,359	1,252,604	-	1,252,604	265,722	3,356,712	432,694
P J Finan	350,903	785,570	136,831	43,332	956,310	-	956,310	136,831	2,717,563	203,586
R J Moore	490,074	17,084	201,980	147,676	157,502	-	157,502	201,980	70,337	292,733

- 1) The number of share rights granted includes rights awarded under the FY2015 Short Term Incentive (STI) plan disclosed in the FY2015 Remuneration Report and share rights which are subject to Company performance hurdles, which were awarded under the FY2016/ FY2017 two year STI Award, the FY2016 and FY2017 LTI Awards consistent with shareholder approval at the 2015 AGM.
- 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. Due to restrictions relating to awards of equity in Singapore, Mr Dayal was awarded Cash Rights in 2013 which delivers a cash payment on vesting.
- 3) External advice from PWC Securities Limited has been used to determine the value of share rights awarded in the year ended 30 June 2016. The valuation has been made using the Black-Scholes Options Pricing Model (BSM) that includes a Monte Carlo simulation analysis.
- 4) Share Rights vested during the year under the FY2014 STI Awards and FY2013 Long Term Incentive Plan.

The table below sets out the details of each specific share right tranche and awards granted and vested during FY2016 for each KMP Executive.

2016	Award Details	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2016	% forfeited in year ended 30 June 2016	Share Rights yet to vest	Financial year in which awards may vest
Executive Director							
P F O'Malley	FY11 LTI Award (TSR) - 3 yr	200,037	30-Nov-10	-	100	0	-
	FY13 LTI Award (TSR) - 3 yr	1,367,464	01-Sep-12	100	-	0	-
	FY14 LTI Award (TSR) - 3 yr	568,126	14-Nov-13	-	-	568,126	2017
	FY14 Deferred STI Rights - 1 yr	92,325	22-Aug-14	100	-	0	-
	FY15 LTI Award (TSR) - 3 yr	500,885	01-Sep-14	-	-	500,885	2018
	FY15 Deferred STI Rights - 1 yr	58,442	24-Aug-15	-	-	58,442	2017
	FY16 & FY17 STI Award - 2 yr	1,305,680	26-Nov-15	-	-	1,305,680	2018
	FY16 LTI Award (TSR) - 3 yr	421,630	26-Nov-15	-	-	421,630	2019
	FY16 LTI Award (EPS) - 3 yr	421,630	26-Nov-15	-	-	421,630	2019
	FY17 LTI Award (TSR) - 4 yr	421,630	26-Nov-15	-	-	421,630	2020
	FY17 LTI Award (EPS) - 4 yr	421,630	26-Nov-15	-	-	421,630	2020
KMP Executives							
M R Vassella	FY11 LTI Award (TSR) - 3 yr	44,969	30-Nov-10	-	100	0	-
	FY13 LTI Award (TSR) - 3 yr	166,667	01-Sep-12	81.95	18.05	0	-
	FY13 LTI Award (Retention) - 3 yr	125,000	01-Sep-12	100	-	0	-
	FY14 LTI Award (TSR) - 3 yr	167,560	01-Sep-13	-	-	167,560	2017
	FY14 Deferred STI Rights - 1 yr	41,787	22-Aug-14	100	-	0	-
	FY15 LTI Award (TSR) - 3 yr	147,725	01-Sep-14	-	-	147,725	2018
	FY15 Deferred STI Rights - 1 yr	24,531	24-Aug-15	-	-	24,531	2017
	FY16 LTI Award (TSR) - 3 yr	186,525	26-Nov-15	-	-	186,525	2019
	FY16 LTI Award (EPS) - 3 yr	186,525	26-Nov-15	-	-	186,525	2019
	FY17 LTI Award (TSR) - 4 yr	186,525	26-Nov-15	-	-	186,525	2020
	FY17 LTI Award (EPS) - 4 yr	186,525	26-Nov-15	-	-	186,525	2020

2016	Award Details	Number of Share Rights awarded	Date of grant	% vested in year ended 30 June 2016	% forfeited in year ended 30 June 2016	Share Rights yet to vest	Financial year in which awards may vest
KMP Executives							
S R Elias	FY11 LTI Award (TSR) - 3 yr	40,909	30-Nov-10	-	100	0	-
	FY13 LTI Award (TSR) - 3 yr	127,167	01-Sep-12	81.95	18.05	0	-
	FY13 LTI Award (Retention) - 3 yr	95,375	01-Sep-12	100	-	0	-
	FY14 LTI Award (TSR) - 3 yr	130,385	01-Sep-13	-	-	130,385	2017
	FY14 Deferred STI Rights - 1 yr	36,803	22-Aug-14	100	-	0	-
	FY15 LTI Award (TSR) - 3 yr	114,905	01-Sep-14	-	-	114,905	2018
	FY15 Deferred STI Rights - 1 yr	19,802	24-Aug-15	-	-	19,802	2017
	FY16 & FY17 STI Award - 2 yr	435,240	26-Nov-15	-	-	435,240	2018
	FY16 LTI Award (TSR) - 3 yr	96,720	26-Nov-15	-	-	96,720	2019
	FY16 LTI Award (EPS) - 3 yr	96,720	26-Nov-15	-	-	96,720	2019
	FY17 LTI Award (TSR) - 4 yr	96,720	26-Nov-15	-	-	96,720	2020
	FY17 LTI Award (EPS) - 4 yr	96,720	26-Nov-15	-	-	96,720	2020
S Dayal ²	FY11 LTI Award (TSR) - 3 yr	40,885	30-Nov-10	-	100	0	-
	FY13 LTI Award (TSR) - 3 yr	146,667	01-Sep-12	81.95	18.05	0	-
	FY13 LTI Award (Retention) - 3 yr	110,000	01-Sep-12	100	-	0	-
	FY14 LTI Award (TSR) - 3 yr	150,315	01-Sep-13	-	-	150,315	2017
	FY14 Deferred STI Rights - 1 yr	35,529	22-Aug-14	100	-	0	-
	FY15 LTI Award (TSR) - 3 yr	132,525	01-Sep-14	-	-	132,525	2018
	FY15 Deferred STI Rights - 1 yr	21,544	24-Aug-15	-	-	21,544	2017
	FY16 & FY17 STI Award - 2 yr	502,000	26-Nov-15	-	-	502,000	2018
	FY16 LTI Award (TSR) - 3 yr	111,555	26-Nov-15	-	-	111,555	2019
	FY16 LTI Award (EPS) - 3 yr	111,555	26-Nov-15	-	-	111,555	2019
	FY17 LTI Award (TSR) - 4 yr	111,555	26-Nov-15	-	-	111,555	2020
	FY17 LTI Award (EPS) - 4 yr	111,555	26-Nov-15	-	-	111,555	2020
P J Finan	FY11 LTI Award (TSR) - 3 yr	29,202	30-Nov-10	-	100	0	-
	FY13 LTI Award (TSR) - 3 yr	78,280	01-Sep-12	81.95	18.05	0	-
	FY13 LTI Award (Retention) - 3 yr	58,710	01-Sep-12	100	-	0	-
	FY14 LTI Award (TSR) - 3 yr	90,750	01-Sep-13	-	-	90,750	2017
	FY14 Deferred STI Rights - 1 yr	13,971	22-Aug-14	100	-	0	-
	FY15 LTI Award (TSR) - 3 yr	79,990	01-Sep-14	-	-	79,990	2018
	FY15 Deferred STI Rights - 1 yr	15,090	24-Aug-15	-	-	15,090	2017
	FY16 & FY17 STI Award - 2 yr	407,900	26-Nov-15	-	-	407,900	2018
	FY16 LTI Award (TSR) - 3 yr	90,645	26-Nov-15	-	-	90,645	2019
	FY16 LTI Award (EPS) - 3 yr	90,645	26-Nov-15	-	-	90,645	2019
	FY17 LTI Award (TSR) - 4 yr	90,645	26-Nov-15	-	-	90,645	2020
	FY17 LTI Award (EPS) - 4 yr	90,645	26-Nov-15	-	-	90,645	2020
R J Moore	FY11 LTI Award (TSR) - 3 yr	30,570	30-Nov-10	-	100	0	-
	FY13 LTI Award (TSR) - 3 yr	116,667	01-Sep-12	81.95	18.05	0	-
	FY13 LTI Award (Retention) - 3 yr	87,500	01-Sep-12	100	-	0	-
	FY14 LTI Award (TSR) - 3 yr	125,670	01-Sep-13	-	25.00	94,253	2017
	FY14 Deferred STI Rights - 1 yr	18,872	22-Aug-14	100	-	0	-
	FY15 LTI Award (TSR) - 3 yr	110,795	01-Sep-14	-	58.33	46,165	2018
	FY15 Deferred STI Rights - 1 yr	17,084	24-Aug-15	-	-	17,084	2017

- 1) External valuation advice from PWC Securities Limited has been used to determine the value of Share Rights held by KMP at 30 June 2016.
- 2) Due to restrictions relating to awards of equity in Singapore, S Dayal was awarded Cash Rights in FY2013 and FY2014 which delivers a cash payment on vesting. As such, he holds 120,193 Cash Rights that were awarded under the LTIP FY2013. Under the terms of LTIP FY2013, these shares are held in restriction for 24 months until 1 September 2017.
- 3) P F O'Malley received 212,108 shares during FY2016 upon exercise of Share Rights received under the FY2013 LTI Award and FY2014 STI Award.

4.4 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: ¹

Name	Ordinary shares held as at 30 June 2015	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 2016
Non-executive Directors					
J A Bevan	22,926	-	-	23,200	46,126
D B Grollo	38,447	-	-	-	38,447
K A Dean	40,488	-	-	-	40,488
P Bingham-Hall	57,834	-	-	-	57,834
E G W Crouch	30,000	-	-	2,500	32,500
L H Jones	32,000	-	-	10,000	42,000
R P Dee-Bradbury	22,300	-	-	5,000	27,300
G J Kraeche ⁴	106,883	-	-	-	106,883
Executive Director					
P F O'Malley	189,394	1,459,789	-	(778,000)	871,183
KMP Executives					
M R Vassella	338,529	303,370	-	(322,062)	319,837
S R Elias	399,010	236,391	-	(250,000)	385,401
S Dayal	70,103	35,529	-	0	105,632
P J Finan	188,053	136,831	-	(134,957)	189,927
R J Moore ⁵	246,044	201,980	-	0	448,024

1) Including related party interests.

2) Exercise of share rights awarded under the FY2014 STI Plan and FY2013 Long Term Incentive Plan.

3) These amounts represent on market acquisitions and disposals of shares including shares sold to fund payment of income tax liabilities arising from vesting of share right awards.

4) Mr Kraeche retired from the Board effective 19 November 2015. The share holding is represented as at 19 November 2015.

5) Mr Moore retired effective 30 November 2015. The share holding is represented as at 30 November 2015.

5. NON-EXECUTIVE DIRECTORS' REMUNERATION

5.1 OVERVIEW

Fees are normally reviewed annually on 1 January. Following a review this year, the Board decided that there would be no increase in Directors' base or Committee fees for 2016.

Non-executive Directors are expected to build a shareholding in the Company equivalent to one year's base fees.

The schedule of fees (exclusive of superannuation) effective 1 January 2016, and which currently applies, is as follows:

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 2016 amounted to \$1,922,708 (FY2015 \$2,229,714).

Compulsory superannuation contributions per Director capped at \$19,616 per annum (commencing 1 July 2016) are paid on behalf of each Director. Compulsory superannuation contributions for the year ended 30 June 2016 were \$19,308 per annum. Non-executive Directors do not receive any other retirement benefits.

Role	Fees effective 1 Jan 2016	
Chairman ¹	\$472,500	
Non-executive Director	\$157,500	
Audit and Risk Committee	Chair	\$40,000
	Member	\$20,000
Remuneration and Organisation Committee	Chair	\$34,000
	Member	\$16,000
Health, Safety and Environment Committee	Chair	\$28,000
	Member	\$14,000

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

5.2 DIRECTORS' REMUNERATION TABLE

Details of the audited remuneration for FY2016 for each Non-executive Director of BlueScope are set out in the following table.

Name	Year	Short-term benefits		Sub-total	Post-employment benefits ²	Total
		Fees ¹	Non-monetary			
		\$	\$	\$	\$	\$
Non-executive Directors						
J A Bevan ³	2016	364,176	-	364,176	18,878	383,054
	2015	190,767	-	190,767	18,123	208,890
D B Grollo	2016	201,500	-	201,500	19,143	220,643
	2015	199,426	-	199,426	18,768	218,194
K A Dean	2016	211,500	-	211,500	19,308	230,808
	2015	209,679	-	209,679	18,783	228,462
P Bingham-Hall	2016	205,500	-	205,500	19,308	224,808
	2015	201,403	-	201,403	18,768	220,171
E G W Crouch	2016	191,500	-	191,500	18,193	209,693
	2015	190,767	-	190,767	18,123	208,890
L H Jones	2016	191,500	-	191,500	18,193	209,693
	2015	190,767	-	190,767	18,123	208,890
R P Dee-Bradbury	2016	194,676	-	194,676	18,494	213,170
	2015	186,134	-	186,134	17,683	203,817
G J Kraehe ⁴	2016	196,574	26,232	222,806	8,033	230,839
	2015	472,500	10,913	483,413	18,783	502,196
R J McNeilly ⁵	2016	-	-	-	-	-
	2015	210,241	5,498	215,739	14,465	230,204
Total 2016		1,756,926	26,232	1,783,158	139,550	1,922,708
Total 2015		2,051,684	16,411	2,068,095	161,619	2,229,714

- 1) There was no increase in Directors' base fees or committee fees during the year.
- 2) Post-employment benefits relate to government compulsory superannuation contributions.
- 3) J A Bevan was appointed Chairman with effect from 19 November 2015.
- 4) G J Kraehe retired with effect 19 November 2015.
- 5) R J McNeilly retired with effect 7 April 2015.

6. REMUNERATION GOVERNANCE

6.1 ROLE OF THE 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 consists entirely of independent Non-executive Directors.

The Committee's purview extends beyond remuneration matters and includes human resources strategy, policies, diversity, talent development, and the development and succession of executives. With respect to remuneration specifically, 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 Executives, senior managers and employees generally, and focuses on the following activities:

- An annual review of the Company's remuneration strategy (including consultation with shareholders and proxy advisors);
- Approving the terms of employment of the 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 MD & CEO 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 MD & CEO and the Executive General Manager People & Performance, who attend Committee meetings, except where matters relating to their own remuneration are considered.

6.2 INDEPENDENT REMUNERATION CONSULTANT

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.

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

During FY2016, the Remuneration and Organisation Committee proactively sought external perspectives on executive remuneration matters, employing 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.

PwC attended selected Committee meetings during the year, providing an independent perspective on matters of quantum and structure of executive remuneration. The Board is satisfied that any advice provided to the Committee was made free from undue influence from any members of the KMP.

6.3 BLUESCOPE STEEL REMUNERATION PEER GROUP

The Board has selected (and reviews annually) a peer group of companies for the purposes of benchmarking remuneration that reflects 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 on the ASX.

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, and could result in an inability to attract and retain the skills required to manage a business operating in the complex and volatile environment in which BlueScope operates globally.

The current peer group is listed below:

Adelaide Brighton Ltd	Boral Ltd	Downer EDI Ltd	Orica Ltd
Amcor Ltd	Brambles Ltd	Fletcher Building Ltd	Qantas Airways Ltd
Arrium Ltd	Broadspectrum Ltd	Incitec Pivot Ltd	WorleyParsons Ltd
Asciano Group	Caltex Australia Ltd	CIMIC Group Ltd	
Aurizon Holdings Ltd	CSR Ltd	Lend Lease Corp Ltd	

6.4 SUMMARY TERMS OF EMPLOYMENT

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

The following table outlines the summary terms of employment for the MD & CEO:

Feature	Description
Contract term and notice period	Paul O'Malley was appointed to the position of Managing Director and Chief Executive Officer effective from 1 November 2007 and his contract is ongoing. The contract can be terminated by either party at any time on six months' notice.
Termination (without cause)	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.
Termination (with cause)	Mr O'Malley will be immediately terminated by BlueScope if, among other things, he 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 only 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 of employment terms	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.
Change of control	Mr O'Malley is entitled to early vesting, subject to satisfying performance testing requirements, of LTIP awards on a change of control.
Non-compete restriction	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.

OTHER KMP EXECUTIVES

Key features of the terms of employment for disclosed KMP Executives (other than the Managing Director and Chief Executive Officer) include the following:

- Employment continues until terminated by either the executive or BlueScope, with six months' notice required of both parties. 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. RELATED PARTY TRANSACTIONS

7.1 LOANS TO KEY MANAGEMENT PERSONNEL

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

7.2 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. There were no amounts purchased from the BlueScope Steel Group by Grocon for FY2016 (2015: less than \$1,000).

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.

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 2016, the Company notified relevant authorities of 13 incidents resulting in statutory non-compliances. The Company notified its site at Erskine Park, Sydney as a contaminated site; the EPA is currently investigating whether the contamination has migrated from an adjacent site not owned or operated by BlueScope. The Company also notified its No.1 Works site (the original location of steelmaking) at Port Kembla and part of its Steelhaven site at Port Kembla as contaminated sites. Boundary remediation has continued at the former Stainless steel manufacturing site at Port Kembla, which had been previously notified to NSW EPA and declared as 'significantly contaminated' by NSW EPA. Investigations at the Stainless site have continued pursuant to a Voluntary Management Proposal accepted by the NSW EPA. In December 2014, the Victorian EPA served two Clean-Up Notices on BlueScope relating to its site at Sunshine, Victoria, requiring the assessment of asbestos contamination at the site. The site is adjacent to a former asbestos factory. Following submission of assessment reports by BlueScope, the Clean-Up Notices were revoked and a further Clean-Up Notice issued requiring BlueScope to appoint an independent auditor to recommend management options for the site. The auditor's report was lodged with the Victorian EPA in June 2016. During the period there were no environmental prosecutions against the Company.

BlueScope submits annual reports under the National Greenhouse Gas and Energy Reporting Scheme (greenhouse gas emissions and energy consumption and production for all Australian facilities), and the National Pollutant Inventory (substance emissions to air and water for a number of facilities).

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 18). Executive officers and employees of BlueScope Steel and its related bodies corporate are also covered.

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

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

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

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

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

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

Amounts in the Directors' Report are presented in Australian dollars with values rounded to the nearest hundred thousand dollars, or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) instrument 2016/91.

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 2016 has been received from Ernst & Young. This is set out at page 41 of the Directors' Report. Ernst & Young provided \$1,173,000 of non-audit services during the year ended 30 June 2016, comprising:

Assurance Related Services

\$633,000 for debt funding assurance services
\$60,000 for restructuring assurance services
\$33,000 for environmental compliance services

Taxation Related Services

\$401,000 for taxation compliance services

Advisory Services

\$46,000 for market research advisory 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.



J A BEVAN
Chairman



P F O'MALLEY
Managing Director and Chief Executive Officer

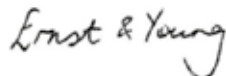
Melbourne
22 August 2016

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

As lead auditor for the audit of BlueScope Steel Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of BlueScope Steel Limited and the entities it controlled during the financial year.



Ernst & Young



Rodney Piltz
Partner
22 August 2016



FINANCIAL
REPORT
2015/2016

BlueScope Steel Limited ABN 16 000 011 058
Annual Financial Report - 30 June 2016

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2. Revenue	7. Inventories	13. Intangible assets	16. Borrowings	21. Subsidiaries and non-controlling interests	26. Commitments	29. Related party transactions
3. Other Income	8. Operating intangible assets	14. Carrying value of non-financial assets	17. Contributed Equity	22. Investment in associates	27. Events occurring after balance date	30. Parent entity financial information
4. Income tax	9. Trade and other payables		18. Reserves	23. Investment in joint ventures		31. Deed of cross - guarantee
5. Earnings (loss) per share	10. Provisions		19. Dividends	24. Discontinued operations		32. Financial instruments and risk
	11. Retirement benefit obligations					33. Remuneration of auditors
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Statement of Comprehensive Income

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$M	2015 \$M
Revenue from continuing operations	2	9,202.7	8,540.1
Other income	3	762.1	20.3
Changes in inventories of finished goods and work in progress		(195.7)	(86.9)
Raw materials and consumables used		(4,817.7)	(4,750.5)
Employee benefits expense		(1,684.9)	(1,581.0)
Depreciation and amortisation expense	12, 13	(388.1)	(343.0)
Net impairment (expense) of non-current assets	14(e), 23(e)	(554.8)	(2.7)
Freight on external despatches		(500.3)	(527.2)
External services		(927.9)	(888.3)
Net restructuring costs	10(e)	(55.4)	(5.2)
Finance costs	16(d)	(109.1)	(76.8)
Other expenses		(252.4)	(192.2)
Share of net profits (losses) of associates and joint venture partnerships accounted for using the equity method	22(a), 23(a)	39.9	115.7
Profit before income tax		518.4	222.3
Income tax expense	4(a)	(101.5)	(47.4)
Profit from continuing operations		416.9	174.9
Profit (loss) from discontinued operations after income tax	24(b)	(0.6)	2.2
Net profit for the year		416.3	177.1
<i>Items that may be reclassified to profit or loss</i>			
Net gain (loss) on cash flow hedges	18(a)	9.2	(4.9)
- Income tax (expense)		(1.3)	-
Net gain (loss) on net investments in foreign subsidiaries	18(a)	(0.2)	53.1
Exchange fluctuations on translation of foreign operations attributable to BlueScope Steel Limited	18(a)	(19.5)	101.3
<i>Items that will not be reclassified to profit or loss</i>			
Actuarial gain (loss) on defined benefit superannuation plans	11(i)	(160.6)	(93.6)
- Income tax (expense) benefit		48.3	23.5
Exchange fluctuations on translation of foreign operations attributable to non-controlling interests		1.2	74.5
Other comprehensive income (loss) for the year		(122.9)	153.9
Total comprehensive income for the year		293.4	331.0
Profit is attributable to:			
Owners of BlueScope Steel Limited		353.8	136.3
Non-controlling interests	21	62.5	40.8
		416.3	177.1
Total comprehensive income for the year is attributable to:			
Owners of BlueScope Steel Limited		230.1	216.6
Non-controlling interests	21	63.3	114.4
		293.4	331.0

Earnings per share for profit attributable to ordinary equity holders of the Company from:

	Notes	2016 Cents	2015 Cents
Continuing operations:			
Basic earnings (loss) per share	5	62.2	23.9
Diluted earnings (loss) per share	5	60.2	23.2
Total operations:			
Basic earnings (loss) per share	5	62.1	24.3
Diluted earnings (loss) per share	5	60.1	23.6

Statement of Financial Position

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$M	2015 \$M
ASSETS			
Current assets			
Cash and cash equivalents	15	549.8	518.5
Trade and other receivables	6	1,158.4	1,087.4
Inventories	7	1,391.5	1,496.7
Operating intangible assets	8	8.3	5.3
Derivative financial instruments	32(d)	5.1	1.4
Deferred charges and prepayments		93.0	71.2
		3,206.1	3,180.5
Non-current assets classified as held for sale	22(a)	-	5.3
Total current assets		3,206.1	3,185.8
Non-current assets			
Trade and other receivables	6	35.8	36.2
Inventories	7	71.1	63.9
Operating intangible assets	8	25.9	-
Investments accounted for using the equity method	22, 23	39.3	144.6
Property, plant and equipment	12	3,834.1	3,732.6
Intangible assets	13	1,736.5	510.0
Deferred tax assets	4(c)	196.7	196.0
Deferred charges and prepayments		3.1	8.4
Total non-current assets		5,942.5	4,691.7
Total assets		9,148.6	7,877.5
LIABILITIES			
Current liabilities			
Trade and other payables	9	1,480.7	1,306.1
Borrowings	16	228.6	107.6
Current tax liabilities		11.6	8.6
Provisions	10	379.1	419.2
Deferred income		181.8	153.2
Derivative financial instruments	32(d)	2.2	10.6
Total current liabilities		2,284.0	2,005.3
Non-current liabilities			
Trade and other payables	9	32.8	11.5
Borrowings	16	1,099.2	686.1
Deferred tax liabilities	4(c)	162.4	24.2
Provisions	10	191.2	190.2
Retirement benefit obligations	11	390.8	217.9
Deferred income		2.9	3.2
Total non-current liabilities		1,879.3	1,133.1
Total liabilities		4,163.3	3,138.4
Net assets		4,985.3	4,739.1
EQUITY			
Contributed equity	17(a)	4,688.1	4,673.8
Reserves	18	224.9	225.1
Retained losses		(415.8)	(623.3)
Parent entity interest		4,497.2	4,275.6
Non-controlling interests	21	488.1	463.5
Total equity		4,985.3	4,739.1

Statement of Changes to Equity

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

Consolidated - 30 June 2016	Notes	Contributed equity \$M	Reserves \$M	Retained losses \$M	Non- controlling interests \$M	Total \$M
Balance at 1 July 2015		4,673.8	225.1	(623.3)	463.5	4,739.1
Profit for the period		-	-	353.8	62.5	416.3
Other comprehensive income (loss)		-	(12.4)	(111.4)	0.9	(122.9)
Total comprehensive income for the year		-	(12.4)	242.4	63.4	293.4
Transactions with owners in their capacity as owners:						
Issue of share awards	17(b)	12.9	(11.8)	-	-	1.1
Share-based payment expense	18(a)	-	23.2	-	-	23.2
Dividends paid		-	-	(34.2)	(38.8)	(73.0)
Tax credit recognised directly in equity	17(b)	1.4	-	-	-	1.4
Other		-	0.8	(0.7)	-	0.1
		14.3	12.2	(34.9)	(38.8)	(47.2)
Balance at 30 June 2016		4,688.1	224.9	(415.8)	488.1	4,985.3

Consolidated - 30 June 2015	Notes	Contributed equity \$M	Reserves \$M	Retained losses \$M	Non- controlling interests \$M	Total \$M
Balance at 1 July 2014		4,659.4	73.8	(671.7)	395.2	4,456.7
Profit for the period		-	-	136.3	40.8	177.1
Other comprehensive income (loss)		-	150.0	(69.7)	73.6	153.9
Total comprehensive income (loss) for the year		-	150.0	66.6	114.4	331.0
Transactions with owners in their capacity as owners:						
Issue of share awards		12.5	(12.0)	-	-	0.5
Share-based payment expense	18(a)	-	12.7	-	-	12.7
Dividends paid		-	-	(17.0)	(46.2)	(63.2)
Tax credit recognised directly in equity	17(b)	1.9	-	-	-	1.9
Transactions with non-controlling interests		-	(0.5)	-	-	(0.5)
Other		-	1.1	(1.2)	0.1	-
		14.4	1.3	(18.2)	(46.1)	(48.6)
Balance at 30 June 2015		4,673.8	225.1	(623.3)	463.5	4,739.1

Statement of Cash Flows

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Consolidated	
		2016 \$M	2015 \$M
Cash flows from operating activities			
Receipts from customers		9,867.1	8,989.0
Payments to suppliers and employees		(8,810.6)	(8,482.5)
		1,056.5	506.5
Associate dividends received		3.3	4.6
Joint venture partnership distributions received		24.2	127.3
Interest received		6.5	3.0
Other revenue		22.7	16.6
Finance costs paid		(111.2)	(69.6)
Income taxes paid		(50.0)	(49.7)
Net cash inflow from operating activities	15(a)	952.0	538.7
Cash flows from investing activities			
Payments for purchase of subsidiaries, net of cash acquired	20(b)	(987.7)	-
Payments for purchase of business assets, net of cash acquired	20(a)(i)	(33.8)	(52.7)
Payments for investments in joint venture partnerships		(2.3)	(2.5)
Payments for property, plant and equipment		(288.9)	(375.8)
Payments for intangibles		(25.0)	(9.1)
Proceeds from sale of property, plant and equipment		10.1	22.1
Proceeds from sale of business	24(a)	-	7.2
Proceeds from sale of investments	22(a)	38.1	-
Net cash (outflow) from investing activities		(1,289.5)	(410.8)
Cash flows from financing activities			
Proceeds from borrowings		4,290.7	2,114.8
Repayment of borrowings		(3,849.8)	(2,165.9)
Dividends paid to Company's shareholders	19(a)	(34.2)	(17.0)
Dividends paid to non-controlling interests in subsidiaries		(38.8)	(46.2)
Transactions with non-controlling interests		-	(0.5)
Share buybacks		-	(0.6)
Net cash inflow (outflow) from financing activities		367.9	(115.4)
Net increase in cash and cash equivalents		30.4	12.5
Cash and cash equivalents at the beginning of the financial year		517.9	465.9
Effects of exchange rate changes on cash and cash equivalents		0.6	39.5
Cash and cash equivalents at end of financial year	15	548.9	517.9
Financing arrangements	16(b)		
Non-cash financing activities	16(e)		

About this report

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 1(a) and the Directors' Report.

The financial report of BlueScope Steel Limited for the year ended 30 June 2016 was authorised for issue in accordance with a resolution of the Directors on 22 August 2016.

Basis of preparation

This financial report is a general purpose financial report, prepared by a for-profit entity, which:

- Has been prepared in accordance with the requirements of the *Australian Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).
- Includes consolidated financial statements, incorporating the assets and liabilities of all subsidiaries of BlueScope Steel Limited ('Company' or 'parent entity') as at 30 June 2016 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.
- Has been prepared on a historical cost basis, except for derivative financial instruments and New Zealand emission unit permits that are held for trading which have been measured at fair value.
- Is presented in Australian dollars with values rounded to the nearest hundred thousand dollars or in certain cases, the nearest dollar, in accordance with the Australian Securities and Investments Commission Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.
- Presents comparative information where required for consistency with the current year's presentation.
- Adopts all new and amended Accounting Standards and Interpretations issued by the AASB that are relevant to the operations of the Group and effective for reporting periods beginning on or after 1 July 2015.
- Does not early adopt any Accounting Standards and Interpretations that have been issued or amended but are not yet effective as disclosed in note 34(b), except for the the amendments as disclosed in note 34(a).

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.

Key estimates and judgements

In the process of applying the Group's accounting policies, management has made a number of judgements and applied estimates of future events. 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 the following notes:

Note 4: Income Tax

Note 10: Provisions

Note 11: Retirement benefit obligations

Note 12: Property, plant and equipment

Note 14: Carrying value of non-financial assets

Note 28: Share based payments

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Financial Performance

This section of the notes includes segment information and provides further information on key line items relevant to financial performance that the directors consider most relevant, including accounting policies, key judgements and estimates relevant to understanding these items.

1 Segment information

(a) Description of segments

The Group's operating segments are reported in a manner which is materially consistent with the internal reporting provided to the chief operating decision maker. The Managing Director and Chief Executive Officer is responsible for allocating resources and assessing performance of the operating segments.

Segment	Description
Australian Steel Products	<ul style="list-style-type: none"> - Produces and markets a range of high valued coated and painted flat steel products for Australian building and construction customers as well as providing a broader offering of commodity flat steel products. - Products are primarily sold to the Australian domestic market, with some volume exported. - Key brands include zinc/aluminium alloy coated - ZINCALUME® steel and galvanised and zinc/aluminium alloy-coated pre-painted COLORBOND® steel. - Main manufacturing facilities are at Port Kembla (NSW) and Western Port (Victoria). - Segment also operates a network of roll-forming and distribution sites throughout Australia, acting as a major steel product supplier to the building and construction, manufacturing, automotive and transport, agriculture and mining industries.
New Zealand & Pacific Steel	<ul style="list-style-type: none"> - Consists of four primary business areas: New Zealand Steel, Pacific Steel, New Zealand Minerals, and BlueScope Pacific Islands. - New Zealand steel is the only steel producer in New Zealand, producing slab, billet, 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. - Pacific Steel is the sole producer of long steel products such as rod, bar, reinforcing coil and wire in New Zealand. - Segment also 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.
BlueScope Buildings (Previously named Global Building Solutions)	<ul style="list-style-type: none"> - Leader in engineered building solutions (EBS), servicing the low-rise non-residential construction needs of 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. - The segment also includes BlueScope's metal coating, painting and Lysaght operations in China.
Building Products ASEAN, North America & India	<ul style="list-style-type: none"> - 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 products. - Segment 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 building and 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.
Hot Rolled Products North America	<ul style="list-style-type: none"> - Segment is comprised of North Star BlueScope Steel (North Star) and 47.5% interest in Castrip LLC (a thin strip casting technology joint venture with Nucor and IHI Ltd). On 8 July 2016, BlueScope Steel Limited sold its 47.5% interest in Castrip to Nucor for US\$20M. - North Star is a single site electric arc furnace producer of hot rolled coil in Ohio, in the US. On 30 October 2015, BlueScope acquired the remaining 50% interest and from the date of acquiring full ownership, North Star has been consolidated in BlueScope's financial statements. - Prior to North Star acquisition and Castrip sale, these businesses were jointly controlled and therefore equity accounted in the Group Financial Statements.

1 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 2016 is as follows:

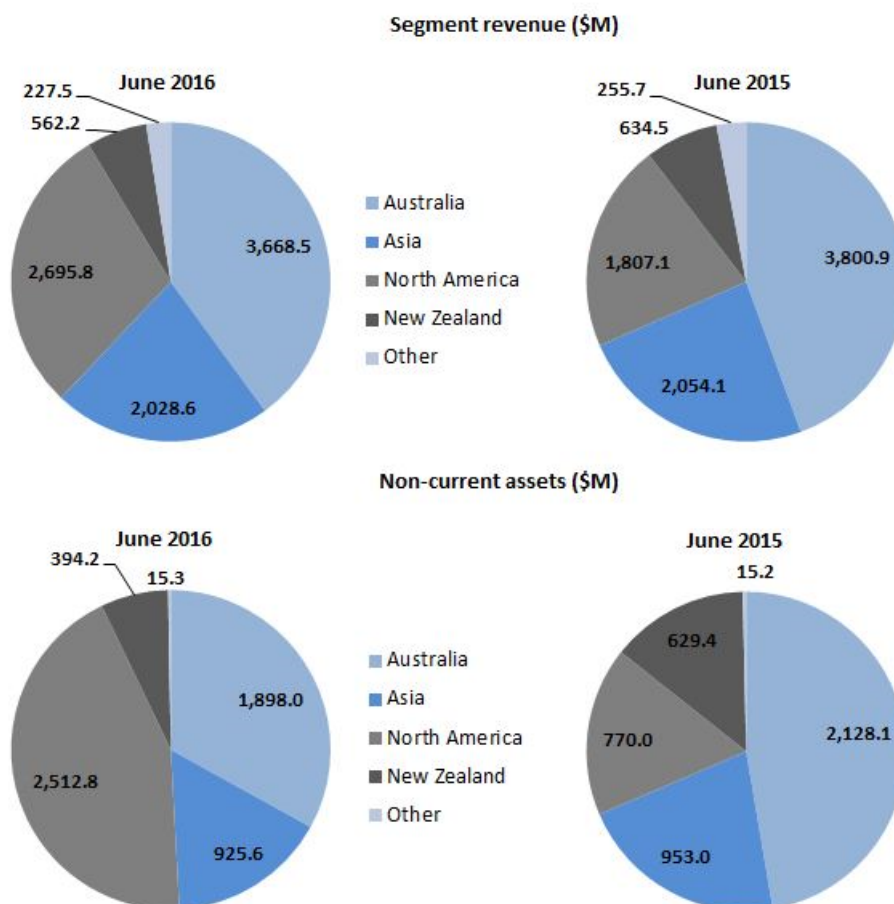
	Australian Steel Products \$M	New Zealand & Pacific Steel \$M	BlueScope Buildings \$M	Building Products ASEAN, North America & India \$M	Hot Rolled Products North America \$M	Discontinued Operations \$M	Total \$M
30 June 2016							
Total segment sales revenue	4,437.4	887.3	1,705.9	1,766.8	847.3	-	9,644.7
Intersegment revenue	(259.5)	(106.3)	(0.1)	(96.1)	-	-	(462.0)
Revenue from external customers	4,177.9	781.0	1,705.8	1,670.7	847.3	-	9,182.7
Segment EBIT	77.7	(397.3)	39.0	149.3	847.3	(0.7)	715.3
Depreciation and amortisation	187.3	53.6	44.4	61.6	40.8	-	387.7
Impairment expense (write-back) of non-current assets	189.0	364.6	(1.1)	-	2.3	-	554.8
Share of profit (loss) from associates and joint venture partnerships	-	2.5	1.2	7.5	28.7	-	39.9
Total segment assets	3,062.7	696.7	1,325.3	1,266.1	2,074.5	0.3	8,425.6
Total assets includes:							
Investments in associates and joint venture partnerships	-	4.8	2.5	32.0	-	-	39.3
Additions to non-current assets (other than financial assets and deferred tax)	164.4	116.4	27.4	48.3	1,029.4	-	1,385.9
Total segment liabilities	973.9	510.1	721.9	256.5	212.2	4.1	2,678.7

	Australian Steel Products \$M	New Zealand & Pacific Steel \$M	BlueScope Buildings \$M	Building Products ASEAN, North America & India \$M	Hot Rolled Products North America \$M	Discontinued Operations \$M	Total \$M
30 June 2015							
Total segment sales revenue	4,792.1	972.1	1,538.1	1,790.8	-	31.6	9,124.7
Intersegment revenue	(363.4)	(112.1)	(0.4)	(96.5)	-	-	(572.4)
Revenue from external customers	4,428.7	860.0	1,537.7	1,694.3	-	31.6	8,552.3
Segment EBIT	128.4	(30.3)	56.0	97.1	107.3	1.8	360.3
Depreciation and amortisation	189.1	60.0	38.5	55.0	-	-	342.6
Impairment expense (write-back) of non-current assets	0.2	-	-	-	2.5	-	2.7
Share of profit (loss) from associates and joint venture partnerships	-	4.1	1.2	(2.1)	112.5	-	115.7
Total segment assets	3,491.4	998.8	1,294.1	1,352.9	112.8	1.4	7,251.4
Total assets includes:							
Investments in associates and joint venture partnerships	-	3.8	2.2	25.8	112.8	-	144.6
Additions to non-current assets (other than financial assets and deferred tax)	172.8	104.1	30.3	72.8	-	-	380.0
Total segment liabilities	1,058.6	364.0	567.0	346.9	-	16.6	2,353.1

1 Segment information (continued)

(c) Geographical information

The Group's geographical regions are based on the location of markets and customers. 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 that is consistent with the statement of comprehensive income.

	Notes	Consolidated	
		2016	2015
		\$M	\$M
Total segment revenue		9,644.7	9,124.7
Intersegment eliminations		(462.0)	(572.4)
Discontinued operations	24(b)	-	(31.6)
Other revenue		20.0	19.4
Total revenue from continuing operations		9,202.7	8,540.1

1 Segment information (continued)

(ii) Segment EBIT

Performance of the operating segments is based on EBIT which excludes the effects of Group financing (including interest expense and interest income) and income taxes as these items are managed on a Group basis.

	Consolidated	
	2016 \$M	2015 \$M
Total segment EBIT	715.3	360.3
Intersegment eliminations	(1.4)	0.1
Interest income	5.2	4.3
Finance costs	(109.1)	(76.8)
Discontinued operations	0.7	(1.8)
Corporate operations	(92.3)	(63.8)
Profit before income tax from continuing operations	518.4	222.3

(iii) Segment assets and liabilities

Segment assets and liabilities are measured in a manner consistent with the financial statements and are allocated based on the operations.

Cash and liabilities arising from borrowing and funding initiatives, including deferred purchase price on business acquisitions, are not considered to be segment assets and liabilities respectively due to these being managed by the Group's centralised treasury function.

	Consolidated	
	2016 \$M	2015 \$M
Segment assets	8,425.6	7,251.4
Intersegment eliminations	(43.5)	(112.2)
Unallocated:		
Deferred tax assets	196.7	196.0
Cash	549.8	518.5
Corporate operations	20.0	23.8
Total assets	9,148.6	7,877.5

	Consolidated	
	2016 \$M	2015 \$M
Segment liabilities	2,678.7	2,353.1
Intersegment eliminations	(41.1)	(111.3)
Unallocated:		
Borrowings	1,327.8	793.7
Current and deferred tax liabilities	174.0	32.8
Accrued borrowing costs payable	9.8	5.7
Corporate operations	14.1	31.7
Deferred purchase price on business acquisition	-	32.7
Total liabilities	4,163.3	3,138.4

2 Revenue

	Note	Consolidated	
		2016 \$M	2015 \$M
Sales revenue		9,182.7	8,520.7
<i>Other revenue</i>			
Interest		5.2	4.3
Other		14.8	15.1
		20.0	19.4
Total revenue from continuing operations		9,202.7	8,540.1
From discontinued operations			
Sales revenue	24(b)	-	31.6

(a) Recognition and measurement

Sales revenue is measured at the fair value of the consideration received or receivable and is presented net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

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 of sale. 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.

Contract revenue is recognised using the percentage of completion method.

Advance payments received from customers are recognised as a liability on the Statement of Financial Position as deferred income, until goods have been sold or services rendered.

3 Other income

	Notes	Consolidated	
		2016 \$M	2015 \$M
Net gain on re-measurement of equity investment	20(a)(ii)	706.6	-
Net gain on sale of investment	22(a)	32.9	-
Net gain on disposal of non-current assets		-	11.3
Carbon permit income		8.5	4.4
Government grant - other		2.1	0.7
Proceeds from sale of held for sale non-current asset		-	0.7
Insurance recoveries		5.7	0.1
Foreign exchange gains (net)		6.3	3.1
		762.1	20.3

4 Income tax

(a) Income tax expense (benefit)

	Consolidated	
	2016 \$M	2015 \$M
Current tax	49.1	69.4
Deferred tax	45.7	(22.9)
Adjustments for current tax of prior periods	6.6	0.3
	101.4	46.8
Income tax expense is attributable to:		
Profit from continuing operations	101.5	47.4
Profit (loss) from discontinued operations	(0.1)	(0.6)
Total income tax expense	101.4	46.8

(b) Reconciliation of income tax expense to prima facie tax payable

	Note	Consolidated	
		2016 \$M	2015 \$M
Profit from continuing operations before income tax expense		518.4	222.3
Profit (loss) from discontinuing operations before income tax expense	24(b)	(0.7)	1.6
		517.7	223.9
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)		155.3	67.2
Tax effect of amounts which are not deductible/(taxable):			
Depreciation and amortisation		0.6	0.3
Manufacturing credits		(2.8)	(4.5)
Research and development incentive		(4.3)	(4.3)
Withholding tax		4.1	4.9
Non-taxable gains		(261.2)	(5.2)
Share of net profits of associates		(3.3)	(0.5)
Sundry items		5.0	3.3
		(106.6)	61.2
Difference in overseas tax rates		49.0	0.9
Adjustments for current tax of prior periods		6.6	0.3
Temporary differences and tax losses not recognised		180.7	17.2
Previously unrecognised tax losses now recouped		(61.9)	(36.9)
Deferred tax assets now derecognised		33.6	4.1
Income tax expense		101.4	46.8

4 Income tax (continued)

(c) Deferred tax assets (DTA) and liabilities (DTL)

	Consolidated			
	2016 \$M	DTA 2015 \$M	2016 \$M	DTL 2015 \$M
The balance comprises temporary differences attributable to:				
Employee benefits provision	215.6	131.5	(2.2)	(52.1)
Other provisions	49.7	37.5	(4.5)	(5.5)
Depreciation	(317.9)	(209.5)	29.5	70.7
Foreign exchange (gains) losses	(21.3)	(66.8)	-	0.1
Intangible assets	(15.7)	(8.5)	142.6	21.2
Inventory	(14.5)	(13.2)	(0.7)	(3.9)
Tax losses	285.9	319.6	(3.1)	(5.5)
Other	14.9	5.4	0.8	(0.8)
	196.7	196.0	162.4	24.2

	Consolidated			
	2016 \$M	DTA 2015 \$M	2016 \$M	DTL 2015 \$M
Movements:				
Opening balance at 1 July	196.0	162.6	24.2	31.2
Charged/credited:				
Charged (credited) to profit or loss	(35.7)	20.2	10.0	(2.7)
Charged (credited) to other comprehensive income	33.0	14.4	(14.0)	(9.0)
Acquisitions and disposals	-	-	146.5	-
Exchange fluctuation	3.4	(1.2)	(4.3)	4.7
	196.7	196.0	162.4	24.2

(d) Tax losses

	Consolidated	
	2016 \$M	2015 \$M
Unused tax losses for which no deferred tax asset has been recognised	2,161.3	2,086.9
Potential tax benefit	638.4	619.0

As at 30 June 2016, \$42.2M (2015: \$24.8M) of Australian deferred tax liabilities generated during the period have been utilised within tax expense. 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. The Australian consolidated tax Group has \$2.75 billion of carried forward tax losses of which \$1,873.4M have been impaired and are not currently carried as a deferred tax asset. These past losses are able to be booked and used in the future, as Australian tax losses are able to be carried forward indefinitely.

For the year ended 30 June 2016 \$64.7M of New Zealand deferred tax assets have been impaired through tax expense, inclusive of a \$33.6M write-off of previously carried forward tax losses. The Company has deferred the recognition of any further New Zealand tax credits until a sustainable return to taxable profits has been demonstrated. New Zealand tax losses are able to be carried forward indefinitely.

The Group also has unrecognised tax losses arising in Vietnam of \$3.5M (2015: \$7.6M) and China of \$31.3M (2015: \$44.2M) 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.

4 Income tax (continued)

(e) Unrecognised temporary differences

	Consolidated	
	2016	2015
	\$M	\$M
Temporary difference relating to investment in subsidiaries for which deferred tax liabilities have not been recognised	465.8	517.1
Tax effect of the above unrecognised temporary differences	52.2	51.8

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 \$241.8M (2015: \$109.7M) in respect of temporary differences have not been recognised as they are not probable of realisation.

(f) Recognition and measurement

Current taxes

The income tax expense 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 taxes

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.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the income statement.

Offsetting deferred tax balances

Deferred tax assets and liabilities are offset when deferred tax balances relate to the same taxation authority and there is a legally enforceable right to offset current tax assets and liabilities.

4 Income tax (continued)

(g) Key judgements and estimates

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, these differences will impact the current and deferred tax provisions in the period in which the 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 relevant tax legislation associated with their recoupment.

The Australian consolidated tax group and New Zealand Steel have recognised a \$84.6M and NZ\$ 85.8M deferred tax asset at 30 June 2016 respectively (2015: \$84.6M, NZ\$ 94.7M). The Australian consolidated tax group has incurred taxable losses in the current and preceding periods. The utilisation of the deferred tax asset amount depends upon future taxable amounts in excess of profits arising from the reversal of temporary differences. The Group believes these amounts to be recoverable based on taxable income projections. The Group has deferred the recognition of any further tax credits for both the Australian and New Zealand tax groups until a sustainable return to taxable profits has been demonstrated.

5 Earnings (loss) per share

	Basic		Diluted	
	2016 Cents	2015 Cents	2016 Cents	2015 Cents
Continuing operations	62.2	23.9	60.2	23.2
Discontinued operations	(0.1)	0.4	(0.1)	0.4
Earnings per share	62.1	24.3	60.1	23.6

(a) Earnings used in calculating earnings (loss) per share

	Consolidated	
	2016 \$M	2015 \$M
Profit (loss) used in calculating basic earnings (loss) per share:		
Continuing operations	354.4	134.1
Discontinued operations	(0.6)	2.2
	353.8	136.3

(b) Weighted average number of shares used as denominator

	Consolidated	
	2016 Number	2015 Number
Weighted average number of ordinary shares (Basic)	570,111,745	561,285,388
Weighted average number of share rights	18,199,977	16,602,014
Weighted average number of ordinary and potential ordinary shares (Diluted)	588,311,722	577,887,402

5 Earnings (loss) per share (continued)

(c) Calculation of earnings per share

- (i) *Basic earnings (loss) per share*
Calculated as net profit (loss) attributable to the ordinary equity holders of the Company divided by the weighted average number of ordinary shares outstanding during the period.
- (ii) *Diluted earnings (loss) per share*
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.

Working capital and provisions

This section of the notes provides further information about the Group's working capital and provisions, including accounting policies and key judgements and estimates relevant to understanding these items.

6 Trade and other receivables

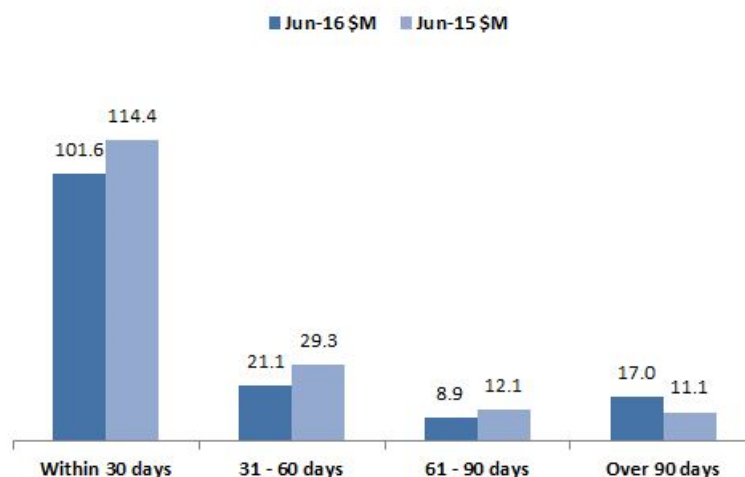
	Notes	Consolidated			
		2016		2015	
		Current \$M	Non- current \$M	Current \$M	Non- current \$M
Trade receivables		1,105.1	-	1,032.5	-
Provision for impairment of receivables	6(a)	(18.0)	-	(15.3)	-
		1,087.1	-	1,017.2	-
Loans to related parties - associates	29(d)	1.3	-	3.7	-
Workers compensation receivables	10(g)	-	27.4	-	27.8
Other receivables		70.0	8.4	66.5	8.4
		71.3	35.8	70.2	36.2
		1,158.4	35.8	1,087.4	36.2

(a) Provision for impairment of receivables

	Consolidated	
	2016 \$M	2015 \$M
Opening balance	15.3	15.5
Additional provision recognised	6.6	6.0
Amounts used during the period	(4.7)	(5.3)
Business acquisitions	1.3	-
Unutilised provision written back	(0.4)	(2.1)
Exchange fluctuations	(0.1)	1.2
	18.0	15.3

6 Trade and other receivables (continued)

(b) Past due but not impaired



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

(c) Transferred financial assets which remain recognised

BlueScope Distribution has entered into a sale of receivables securitisation program on a recourse basis. The business 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. The Group 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. The total carrying amount of the trade receivables is \$62.6M (2015: \$156.1M) and the associated borrowing is \$Nil (2015: \$Nil).

(d) Transferred financial assets that are derecognised

Lysaght Australia, New Zealand Steel and North Star BlueScope Steel have entered into a sale of receivables securitisation involving the sale of eligible trade receivables. The business acts as a servicer under the program and continues to collect cash from its customers.

The receivables securitisation program qualifies for derecognition of trade receivables in their entirety. The Group has transferred the significant risks and rewards of the trade receivables. In the event bad or doubtful debts exceeds a specified limit, the Group will have to recognise the trade receivables on the balance sheet. Current experience and bad debt history is significantly below this level. The carrying amount of the trade receivables de-recognised in entirety as at 30 June 2016 is \$198.5M which is reflected by a decrease in trade receivables of \$42.9M, an increase in sundry payables of \$162.2M offset by a \$6.6M increase in sundry receivables.

The maximum exposure to loss for the Group from its continuing involvement in the de-recognised financial assets is \$6.6M which is determined by the amount funded by BlueScope Steel at sale date, less customer collections during the month.

(e) Recognition and measurement

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.

Impairment of trade receivables

Debts which are known to be uncollectible are written off when identified. A provision for impairment is recognised when there is objective evidence that amounts due may not be received. 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.

7 Inventories

	Consolidated			
	2016		2015	
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
At lower of cost and net realisable value:				
Raw materials and stores	329.7	-	252.6	-
Work in progress	466.2	-	579.4	-
Finished goods	487.8	-	556.1	-
Spares and other	107.8	71.1	90.0	63.9
Emission unit permits - held for trading	-	-	18.6	-
	1,391.5	71.1	1,496.7	63.9

(a) Inventory expense

Write-downs of inventories to net realisable value recognised as an expense at 30 June 2016 amounted to \$31.3M (2015: \$45.8M) for the Group. The expense has been included in 'raw materials and consumables used' in the profit and loss.

(b) Recognition and measurement

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 to sell.

Emission unit permits that are acquired as part of the New Zealand Emissions Trading Scheme (ETS) are recognised at cost. Emission unit permits that are held for trading in the ordinary course of business are classified as inventory and subsequently held at fair value. During the year, the held for sale permits were reclassified to held for acquittal and are now disclosed as an intangible asset at cost.

8 Operating intangible assets

	Consolidated			
	2016		2015	
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
Emission unit permits - not held for trading	8.3	25.9	5.3	-

(a) Recognition and measurement

Emission unit (EU) permits which are not held for trading 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.

9 Trade and other payables

	Note	Consolidated			
		2016		2015	
		Current \$M	Non- current \$M	Current \$M	Non- current \$M
Trade payables		1,201.6	-	1,158.9	-
Deferred business acquisition consideration	20(a)(i)	-	-	32.7	-
Other payables		279.1	32.8	114.5	11.5
		1,480.7	32.8	1,306.1	11.5

(a) Recognition and measurement

Trade and other payables 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.

10 Provisions

	Consolidated			
	2016		2015	
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
Annual leave (d) (i)	75.1	-	76.3	-
Long service leave (d) (i)	122.2	19.4	139.7	23.6
Redundancy (d) (ii)	13.3	-	27.6	-
Other employee benefits (d) (iii)	74.1	11.0	87.1	8.1
Restructure (e)	21.9	26.5	24.3	21.9
Product claims (f)	31.2	17.2	32.8	21.3
Workers compensation (g)	13.6	77.2	12.4	82.9
Restoration and rehabilitation (h)	7.7	37.8	5.3	31.3
Carbon emissions (i)	3.6	-	2.6	-
Other provisions	16.4	2.1	11.1	1.1
Total provisions	379.1	191.2	419.2	190.2

(a) Movements in provisions

Movement in significant provisions, other than employee benefits, are set out below.

	Restructure	Product claims	Workers compensation	Restoration and rehabilitation
Consolidated - 2016 (\$M)				
Current and non-current				
Carrying amount at start of the year	46.2	54.1	95.3	36.6
Additional provisions recognised	57.1	11.0	5.7	3.7
Unutilised provisions written back	(1.5)	(3.8)	-	-
Amounts used during the period	(52.4)	(14.0)	(11.8)	(1.0)
Exchange fluctuations	(2.0)	0.5	0.3	1.0
Transfers	0.6	-	-	-
Business acquisitions	-	-	0.1	-
Asset additions	-	-	-	3.7
Unwinding of discount	0.4	0.6	1.2	1.5
Carrying amount end of year	48.4	48.4	90.8	45.5

10 Provisions (continued)

(b) Recognition and measurement

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 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.

(c) Key judgements and estimates

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.

(d) Employee benefits

(i) Annual leave and long service leave

The liability for annual leave and long service leave expected to be settled after 12 months is 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 interest rates on high quality corporate bonds other than New Zealand where Government bonds are used, with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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

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, 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. Current annual leave and long service leave obligation expected to be settled after 12 months is \$94.1M (2015: \$119.6M).

(ii) 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.

The employee redundancy provision balance reflects a range of internal reorganisations. All redundancies are expected to take effect within 12 months of the reporting date.

(iii) Short Term Incentive plans (STI)

The Group recognises a liability and an expense for STI plan payments made to employees. The Group recognises a provision where past practice and current performance indicates that a probable constructive obligation exists.

(e) Restructuring costs

Liabilities arising directly from undertaking a restructuring program, defined as the closure of an operating site, 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.

The restructuring provisions relate to Australian Steel Products and BlueScope Buildings segments to cover estimated future costs of announced site closures. The provisions are to be utilised over various terms up to a maximum period of 17 years.

10 Provisions (continued)

(f) 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.

(g) Workers compensation

In Australia and North America, the Company is a registered self-insurer for workers compensation. Provisions are recognised based on calculations performed by an external actuary in relation to the expectation of future events. A contingent liability exists in relation to guarantees given to various state workers compensation authorities, due to self-insurance prerequisites (refer to note 25(a)(ii)).

For the Group, an actuarially determined asset of \$27.4M (2015: \$27.8M) has been recognised for expected future reimbursements associated with workers compensation recoveries from third parties. This amount is included in non-current other receivables as there is no legal right of offset against the workers compensation provision.

(h) Restoration and rehabilitation

Restoration and rehabilitation provisions include \$19.5M (2015: \$13.3M) for New Zealand & Pacific Steel segment in relation to its operation of two iron sand mines. These provisions have been classified as non-current as the timing of payments to remedy these sites will not be made until cessation of their operations, which is not expected for many years. The balance of the provision relates to leased sites that require rectification and restoration work at the end of their respective lease periods.

Recognising restoration, remediation and rehabilitation provisions 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.

(i) Carbon emissions

The Group is a participant in the New Zealand Government's uncapped Emissions Trading Scheme (ETS).

The emissions liability is recognised as a provision for carbon and is measured at the carrying amount of Emission Units (EUs) held with excess units, if any, held for trading 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 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.

11 Retirement benefit obligations

(a) Defined contribution plan

The Group makes superannuation contributions to defined contribution funds in respect of the entity's employees located in Australia and other countries. As at 30 June 2016, the defined contribution expense recognised in the profit and loss amounted to \$90.1M (2015: \$91.6M).

The defined contribution plans receive fixed contributions from Group companies with the Group's legal obligation limited to these contributions. Contributions to the defined contribution fund are recognised as an expense as they become payable.

(b) Defined benefit plans

Country	Fund type	Description
New Zealand	Pension Fund and Retirement Savings Plan (closed to new participants)	New Zealand employees are members of the New Zealand Steel Pension Fund.
North America	Butler Manufacturing Base Retirement Plan (closed to new participants)	Employees previously belonging to the Butler Manufacturing Company are members of the Butler Manufacturing Base Retirement Plan.

11 Retirement benefit obligations (continued)

Defined benefit funds provide defined lump sum benefits based on years of service and final or average salary. 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 New Zealand Steel Pension Fund as at 30 June 2015, and the Butler Base Retirement Plan as at 1 January 2016.

(c) Statement of financial position amounts

	Consolidated	
	2016 \$M	2015 \$M
Present value of the defined benefit obligation	(1,109.5)	(926.5)
Fair value of defined benefit plan assets	718.7	708.6
Net (liability) asset in the statement of financial position	(390.8)	(217.9)

(d) Defined benefit funds to which BlueScope Steel employees belong

\$M	BlueScope Steel Superannuation Fund (i)		New Zealand Pension Fund		Butler Manufacturing Base Retirement Plan		Total	
	2016	2015	2016	2015	2016	2015	2016	2015
Present value of the defined benefit obligation	-	-	(644.0)	(493.8)	(465.5)	(432.7)	(1,109.5)	(926.5)
Fair value of defined benefit plan assets	-	-	402.0	383.4	316.7	325.2	718.7	708.6
Net (liability) asset in the statement of financial position	-	-	(242.0)	(110.4)	(148.8)	(107.5)	(390.8)	(217.9)
Defined benefit expense (credit) (i)	-	(20.0)	16.7	12.4	2.8	(5.4)	19.5	(13.0)
Employer contribution	-	22.2	16.2	18.2	0.9	0.1	17.1	40.5
Average duration of defined benefit plan obligation	-	-	14.1	13.8	13.1	13.1		
<i>Significant actuarial assumptions</i>	%		%		%			
Discount rate (gross of tax)	-	3.0	2.9	4.0	3.5	4.3		
Future salary increases (ii)	-	3.0	2.0	3.0	-	-		

(i) The defined benefit division of the BlueScope Steel Superannuation Fund closed as at 31 December 2014. A \$27.2M curtailment gain arising from the fund closure was recognised in the profit and loss.

The North American pension plan was amended to allow one-off lump sum payouts to terminated employees with vested benefits. A \$4.9M one-off curtailment gain arising from the difference between the accounting liability (Defined Benefit Obligation) and the lump sum payout value was recognised in the profit and loss (June 2015: \$11.2M).

(ii) Coated and Building Products North America has frozen future salary increases for the purpose of contributions to the superannuation fund as at 30 June 2013.

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

(e) Categories of plan assets

	Consolidated	
	2016 \$M	2015 \$M
Cash	2.8	3.1
Equity instruments	219.9	214.3
Debt instruments	441.9	434.9
Property	9.6	9.8
Other assets	44.5	46.5
	718.7	708.6

11 Retirement benefit obligations (continued)

(f) Actuarial assumptions and sensitivity

	Change in assumption	Impact on defined benefit obligation	
		Increase in assumption \$M	Decrease in assumption \$M
Discount rate	+/- 1%	(166.8)	191.9
Salary growth rate	+/- 1%	24.9	(23.8)

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 for the year ended 30 June 2016.

(g) Reconciliations

	Consolidated			
	Plan assets		Defined benefit obligation	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Balance at the beginning of the year	708.6	1,083.1	926.5	1,245.7
Current service cost	-	-	10.9	16.4
Interest income (net of tax paid)	26.6	33.5	-	-
Interest cost	-	-	34.1	38.5
Actuarial losses (gains) arising from changes in demographic assumptions	-	-	13.6	23.8
Actuarial losses (gains) arising from changes in financial assumptions	6.6	16.4	152.6	86.2
Foreign currency exchange rate changes	36.0	53.4	46.9	68.6
Benefits paid	(44.8)	(431.5)	(44.8)	(431.5)
Allowance for contributions tax on net liability	-	-	0.2	(5.2)
Contributions by the Group	17.1	40.5	-	-
Tax on employer contributions	(5.3)	(9.3)	-	-
Contributions by plan participants	2.7	3.6	-	-
Settlements	(25.6)	(77.6)	(25.6)	(77.6)
Plan expenses	(3.2)	(3.5)	-	-
Gain on curtailment - closure of the Australian defined benefit fund	-	-	-	(27.2)
Gain on curtailment - North America	-	-	(4.9)	(11.2)
Balance at the end of the year	718.7	708.6	1,109.5	926.5

(h) Amounts recognised in profit or loss

	Consolidated	
	2016 \$M	2015 \$M
Current service cost	10.9	16.4
Contributions by plan participants	(2.7)	(3.6)
Net interest	7.5	5.0
Plan expenses	3.2	3.5
Allowance for contributions tax on net liability	5.5	4.1
Gain on curtailment - defined benefit fund closure	-	(27.2)
Gain on curtailment - North America	(4.9)	(11.2)
Total included in employee benefits expense	19.5	(13.0)
Actual return on plan assets	30.0	46.4

11 Retirement benefit obligations (continued)

(i) Amounts recognised in other comprehensive income

	Consolidated	
	2016 \$M	2015 \$M
Actuarial gains (losses) recognised in other comprehensive income during the year - DB plans	(160.6)	(93.6)
Cumulative actuarial (losses) recognised in other comprehensive income	(526.8)	(366.2)

(j) Employer contributions

Employer contributions to the defined benefit section of the Group's plans are based on recommendations by the plan's actuaries. 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 for the year ending 30 June 2017 are \$19.1M.

(k) Recognition and measurement

A liability or asset in respect of defined benefit superannuation plans is measured as the present value of the defined benefit obligation less the fair value of the superannuation fund's assets. 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 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.

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

Past service costs are recognised 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.

Invested Capital

This section of the notes provides further information about property, plant and equipment, non-current intangibles assets and carrying amount of these non-financial assets, including accounting policies, key judgements and estimates relevant to understanding these items.

12 Property, plant and equipment

	Land and Buildings \$M	Plant, machinery and equipment \$M	Total \$M
Year ended 30 June 2016			
Opening net book amount	737.2	2,995.4	3,732.6
Additions	25.7	325.5	351.2
Business acquisitions (note 20(c))	107.5	512.2	619.7
Depreciation charge	(38.4)	(304.3)	(342.7)
Disposals	(7.2)	(8.7)	(15.9)
Impairment charge (note 14(e))	(24.8)	(489.0)	(513.8)
Asset reclassifications	5.4	(5.4)	-
Asset reclassifications to computer software	-	(5.5)	(5.5)
Exchange fluctuations	(0.9)	9.4	8.5
Closing net book amount	804.5	3,029.6	3,834.1
At 30 June 2016			
Cost	1,519.0	10,681.7	12,200.7
Accumulated depreciation and impairment	(714.5)	(7,652.1)	(8,366.6)
Net book amount	804.5	3,029.6	3,834.1
Assets under construction included above:	0.1	250.1	250.2
	Land and buildings \$M	Plant, machinery and equipment \$M	Total \$M
At 1 July 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
Year ended 30 June 2015			
Opening net book amount	676.2	2,839.1	3,515.3
Additions	7.6	365.8	373.4
Business acquisitions (note 20(c))	1.8	0.2	2.0
Depreciation charge	(32.6)	(286.4)	(319.0)
Disposals	(1.4)	(6.1)	(7.5)
Asset reclassifications	2.8	(2.8)	-
Asset reclassifications to computer software	-	(5.3)	(5.3)
Exchange fluctuations	82.8	90.9	173.7
Closing net book amount	737.2	2,995.4	3,732.6
At 30 June 2015			
Cost	1,390.9	9,854.2	11,245.1
Accumulated depreciation and impairment	(653.7)	(6,858.8)	(7,512.5)
Net book amount	737.2	2,995.4	3,732.6
Assets under construction included above:	0.8	381.2	382.0

12 Property, plant and equipment (continued)

(a) Leases

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

	Consolidated	
	2016 \$M	2015 \$M
Leasehold assets		
Cost	273.8	221.2
Accumulation depreciation and impairment	(185.0)	(64.2)
Net book amount	88.8	157.0

(b) Sale and disposal of property, plant and equipment

	Consolidated	
	2016 \$M	2015 \$M
Net gain (loss) on sale and disposal of property, plant and equipment	(5.3)	11.3

(c) Recognition and measurement

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment. Cost includes expenditure that is directly attributable to the acquisition of the items. Cost also includes 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 a replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation

Property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives or, in the case of leasehold improvements and finance leases, the shorter lease term, unless there is reasonable certainty that the Group will obtain ownership at the end of the lease term.

The useful lives of major categories of property, plant and equipment are as follows:

Category	Useful Life
Land	Not depreciated
Buildings	30-40 years
Iron and steel making plant and machinery	20-40 years
Coating lines	20-30 years
Building components plant and equipment	12-18 years
Other plant and equipment	5-15 years

Derecognition

Property, plant and equipment is derecognised when it is sold or otherwise disposed of, or when its use is expected to bring no future economic benefits.

(d) Key estimates

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.

13 Intangible assets

Consolidated	Goodwill \$M	Patents, trademarks and other rights \$M	Computer Software \$M	Customer relationships \$M	Other intangible assets \$M	Total \$M
Year 30 June 2016						
Opening net book amount	342.4	7.6	76.8	48.3	34.9	510.0
Additions	-	-	25.0	-	-	25.0
Business acquisitions (note 20 (c))	923.2	-	0.4	389.8	-	1,313.4
Impairment charge (note 14 (e))	(38.7)	-	-	-	-	(38.7)
Amortisation charge	-	(0.9)	(17.5)	(25.3)	(1.7)	(45.4)
Reclassifications from PP&E	-	-	5.5	-	-	5.5
Exchange fluctuations	(24.4)	0.2	0.6	(11.9)	2.2	(33.3)
Closing net book amount	1,202.5	6.9	90.8	400.9	35.4	1,736.5

At 30 June 2016						
Cost	1,704.6	21.3	321.6	483.4	42.2	2,573.1
Accumulated amortisation and impairment	(502.1)	(14.4)	(230.8)	(82.5)	(6.8)	(836.6)
Net book amount	1,202.5	6.9	90.8	400.9	35.4	1,736.5

Consolidated	Goodwill \$M	Patents, trademarks and other rights \$M	Computer software \$M	Customer relationships \$M	Other intangible assets \$M	Total \$M
At 1 July 2014						
Cost	737.4	17.5	263.1	88.9	39.8	1,146.7
Accumulation amortisation and impairment	(450.4)	(10.4)	(188.9)	(45.6)	(2.7)	(698.0)
Net book amount	287.0	7.1	74.2	43.3	37.1	448.7
Year 30 June 2015						
Opening net book amount	287.0	7.1	74.2	43.3	37.1	448.7
Additions	-	-	9.1	-	-	9.1
Business acquisitions (note 20 (c))	-	-	-	0.5	-	0.5
Amortisation charge	-	(0.9)	(16.9)	(4.5)	(1.7)	(24.0)
Impairment charge (note 14 (e))	(0.2)	-	-	-	-	(0.2)
Reclassifications from PP&E	-	-	5.3	-	-	5.3
Exchange fluctuations	55.6	1.4	5.1	9.0	(0.5)	70.6
Closing net book amount	342.4	7.6	76.8	48.3	34.9	510.0
At 30 June 2015						
Cost	804.1	20.8	290.4	105.1	39.8	1,260.2
Accumulation amortisation and impairment	(461.7)	(13.2)	(213.6)	(56.8)	(4.9)	(750.2)
Net book amount	342.4	7.6	76.8	48.3	34.9	510.0

13 Intangible assets (continued)

(a) Recognition and measurement

(i) Goodwill

Goodwill represents the excess of the cost to purchase a business less the fair market value of the tangible assets, identifiable intangible assets and the liabilities obtained in the purchase. 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.

(ii) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair market value at the date of acquisition.

Following initial recognition, intangible assets are carried at cost less amortisation and any impairment losses. Intangible assets with finite lives are amortised on a straight line basis over their useful life. The amortisation period and method is reviewed at each financial year end.

A summary of the useful lives of intangible assets is as follows:

Category	Useful Life
Patents, trademarks and other rights	Indefinite and finite (7-15 years)
Computer software	Finite (3-10 years)
Customer relationships	Finite (10-20 years)

(iii) Research and development

Research expenditure is recognised as an expense as incurred. For the year ended 30 June 2016, \$22.1M (2015: \$20.1M) was recognised for research and development expenditure in the profit and loss. 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.

14 Carrying value of non-financial assets

The Group tests property, plant and equipment (note 12) and intangible assets with definite useful lives (note 13) when there is an indicator of impairment. Goodwill and other intangible assets with indefinite useful lives are tested at least annually for any impairment.

(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 units	Reportable segments	2016 \$M	2015 \$M
Australian Steel Products	Australian Steel Products	-	38.7
Building Products North America	Building Products ASEAN, North America & India	3.7	3.6
Buildings North America	BlueScope Buildings	293.1	285.3
North Star BlueScope Steel LLC	Hot Rolled Products North America	890.6	-
Buildings China	BlueScope Buildings	15.1	14.8
Total goodwill		1,202.5	342.4

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. In addition to goodwill, the Group has other intangible assets with indefinite useful lives of \$3.9M (2015: \$3.8M) allocated to the Buildings North America CGU which relate to trade names recognised as part of the IMSA Group business combination acquired in February 2008.

All of the above CGUs were tested for impairment at the reporting date.

14 Carrying value of non-financial assets (continued)

(b) Key assumptions and estimates

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

Key assumptions	Basis of estimation
Future cash flows	<ul style="list-style-type: none"> - VIU calculations use pre-tax cash flows, inclusive of working capital movements which are based on financial projections approved by the Group covering a three-year period, being the basis of the Group's forecasting and planning processes, or up to five years where 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.
Growth rate	<ul style="list-style-type: none"> - The growth rate used to extrapolate the cash flows for each CGU beyond the forecast period does not exceed 2.5% (2015:2.5%). - The growth rate represents a steady indexation rate which does not exceed the Group's expectations of the long-term average growth rate for the business in which each CGU operates.
Discount rate	<ul style="list-style-type: none"> - 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 base post-tax discount rates range from 8.5% to 9.7% (2015: 7.7% to 9.0%). - 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.
Raw material costs	<ul style="list-style-type: none"> - Based on commodity price forecasts derived from a range of external commodity forecasters.
Selling prices	<ul style="list-style-type: none"> - Based on management forecasts, taking into account commodity steel price forecasts derived from a range of external commodity forecasters.
Sales volume	<ul style="list-style-type: none"> - Based on management forecasts, taking into account external forecasts of underlying economic activity for the market sectors and geographies in which each CGU operates.
AUD:USD and NZD:USD	<ul style="list-style-type: none"> - Based on forecasts derived from a range of external banks.

(c) Cash generating units with significant goodwill

Buildings North America

Buildings North America is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising a 13.0% pre-tax discount rate (2015: 11.9%).

At 30 June 2016 the recoverable amount of this CGU is 1.6 times the carrying amount of \$465.7M, 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. Taking into account external forecasts, the Group expects non-residential building and construction activity to increase 5.8% per annum from the current financial year over the three-year projection period.

However, the timing and extent of this increase is uncertain and in the absence of mitigating factors, a 0.8% per annum growth in non-residential building and construction activity over the three-year projection period, or a five year delay to achieve the projected increase, could reduce the recoverable amount to be equal to the carrying amount.

North Star BlueScope Steel LLC

The Company acquired a controlling interest in North Star BlueScope Steel LLC on 30 October 2015. This is tested for impairment on a VIU basis using three year cash flow projections, followed by a long-term growth rate of 2.5% for a further 27 years. Pre-tax VIU cash flows are discounted utilising pre-tax discount rate of 13.7%.

At 30 June 2016 the recoverable amount of the CGU is 1.2 times the carrying amount of \$1,862.4M, including non-current assets and net working capital. This CGU is most sensitive to assumptions in relation to the spread between North American hot rolled coil and purchased scrap prices. Taking into account external forecasts, the Group expects spread to increase at 5.4% per annum from current financial year levels over the three year projection period.

14 Carrying value of non-financial assets (continued)

However, the timing and extent of this increase is uncertain and in the absence of mitigating factors, a 3.5% per annum growth in spread over the three-year projection period, or a four year delay to achieve the projected spread increase, could reduce the recoverable amount to be equal to the carrying amount.

(d) 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, Australian Steel Products (ASP) which are determined taking into the key assumptions set out above.

Recognised external forecasters estimate the US dollar relative to the Australian dollar to remain around current levels and an increase in global commodity steel prices in excess of any increase in iron ore and coal raw material costs. The Group 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 flow forecasts for ASP were to decrease by 10% across the forecast period, without implementation of mitigation plans, the recoverable amount would be equal to the carrying amount.

(e) Recognised impairment charges (write-backs)

Segment	2016	2015	Discount rates	
	\$M	\$M	2016 (%)	2015 (%)
Australian Steel Products - PP&E	150.3	-	13.7	12.7
Australian Steel Products - Goodwill	38.7	0.2	13.7	12.7
New Zealand and Pacific Steel - PP&E	364.6	-	13.4	12.4
BlueScope Buildings impairment write-back	(1.1)	-	-	-
Net impairment expense of non-financial assets	552.5	0.2		

The current year impairments were primarily recognised in the December 2015 interim financial results based on assumptions which resulted in \$2,202.0M and \$365.1M recoverable amounts for the Australian Steel Products and New Zealand and Pacific Steel segments respectively. This followed a review at that time of steel price assumptions and discount rates in light of ongoing macroeconomic and global steel market challenges. A subsequent review at June 2016 resulted in a further \$19.7M of property, plant and equipment being impaired in relation to Taharoa iron sand mining assets within the New Zealand and Pacific Steel segment which were capitalised in the second half of FY2016.

Capital structure and financing activities

This section of the notes provides further information about the Group's cash, borrowings, contributed equity, reserves and dividends, including accounting policies relevant to understanding these items.

15 Cash and cash equivalents

	Consolidated	
	2016 \$M	2015 \$M
Cash at bank and on hand	547.3	516.2
Deposits at call	2.5	2.3
	549.8	518.5
Bank overdrafts	(0.9)	(0.6)
Balance per statement of cash flows	548.9	517.9

15 Cash and cash equivalents (continued)

(a) Reconciliation of profit after income tax to net cash inflow from operating activities

	Consolidated	
	2016 \$M	2015 \$M
Profit for the year	416.3	177.1
Depreciation and amortisation	388.1	343.0
Net impairment charge of non-current assets	554.8	2.7
Non-cash employee benefits expense - share-based payments	23.2	12.7
Net (gain) on disposal of non-current assets	(734.3)	(16.8)
Share of (profits) losses of associates and joint venture partnership	(39.9)	(115.7)
Associate and joint venture partnership dividends received	27.5	131.9
Change in operating assets and liabilities:		
Decrease (increase) in trade receivables	68.3	83.6
Decrease (increase) in other receivables	(1.1)	(18.1)
Decrease (increase) in other operating assets	(44.2)	39.5
Decrease (increase) in inventories	213.2	77.3
Increase (decrease) in trade payables	(102.5)	44.2
Increase (decrease) in other payables	170.1	(2.8)
Increase (decrease) in borrowing costs payable	(5.8)	3.9
Increase (decrease) in income taxes payable	4.3	(3.4)
Increase (decrease) in deferred tax balances	47.2	0.3
Increase (decrease) in other provisions and liabilities	(24.6)	(201.9)
Other variations	(8.6)	(18.8)
Net cash inflow from operating activities	952.0	538.7

(b) Recognition and measurement

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.

16 Borrowings

	Consolidated			
	2016		2015	
	Current \$M	Non- current \$M	Current \$M	Non- current \$M
Secured				
Bank loans	114.0	-	-	-
Lease liabilities	13.1	210.6	9.6	174.5
Other loans	0.9	-	5.4	-
Total secured borrowings	128.0	210.6	15.0	174.5
Unsecured				
Bank loans	104.6	86.1	93.0	129.1
Other loans	-	816.8	-	391.0
Bank overdrafts	0.9	-	0.6	-
Deferred borrowing costs	(4.9)	(14.3)	(1.0)	(8.5)
Total unsecured borrowings	100.6	888.6	92.6	511.6
Total borrowings	228.6	1,099.2	107.6	686.1

16 Borrowings (continued)

(a) Secured liabilities and assets pledged as security

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2016	2015
	\$M	\$M
<i>Bank loans</i>		
Trade receivables	380.8	335.7
Inventories	971.6	1,075.4
	1,352.4	1,411.1
<i>Lease liabilities</i>		
Property, plant and equipment	88.8	157.0
	1,441.2	1,568.1

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

Financing facilities available	Description
Australian bank loan	<ul style="list-style-type: none"> - \$850M syndicated bank facility with a syndicate of banks. - Comprises four tranches, maturing in November 2016, November 2017, December 2018 and November 2019. - 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 loans	<ul style="list-style-type: none"> - Three facilities totalling THB 1,800M (\$69M), maturing January 2017, December 2017 and March 2019, available for NS BlueScope Steel (Thailand) Ltd cash requirements. - One facility totalling MYR 30M (\$10M), maturing April 2017, to support working capital and other short-term cash requirements for NS BlueScope Steel (Malaysia) Sdn Bhd. - One US\$21M term facility maturing March 2021 and one US\$25M revolving facility maturing March 2019, available for NS BlueScope Steel (Indonesia) cash requirements. - Two US\$100M revolving facilities maturing March 2017 and March 2018 for NS BlueScope Coated Products joint venture. - One US\$50M term facility maturing July 2016 for NS BlueScope Coated Products joint venture. This facility was extended in July 2016 for a further 3 years to July 2019.
Senior Unsecured Notes	<ul style="list-style-type: none"> - US\$110M senior unsecured notes offered to qualified institutional buyers in the United States of America, which mature May 2018. In June 2016, US\$190M of the original US\$300M were repaid prior to maturity date and US\$6.8M premium paid on early redemption. Interest of 7.125% on the Notes will be paid semi-annually on 1 May and 1 November of each year. - US\$500M senior unsecured notes offered to qualified institutional buyers in the United States of America, issued in May 2016, which mature May 2021. Interest of 6.5% on the Notes will be paid semi-annually on 15 May and 15 November of each year.
Working capital facilities	<ul style="list-style-type: none"> - \$150M trade receivables securitisation program for BlueScope Distribution, maturing September 2017. The facility is currently undrawn. - An inventory iron ore financing facility for BlueScope Steel (AIS) was implemented in February 2015, maturing February 2017. The US\$55M (inclusive of GST) facility limit operates as a sale and repurchase facility whereby the iron ore is sold upon shipment and repurchased by BSL at the point of consumption. The facility is currently undrawn.

16 Borrowings (continued)

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	
	2016 \$M	2015 \$M
Bank overdrafts	50.8	50.5
Bank loan facilities	1,568.0	1,294.6
Total facilities	1,618.8	1,345.1
Bank overdrafts	0.9	0.6
Bank loan facilities	304.7	222.1
Used at balance date	305.6	222.7
Bank overdrafts	49.9	49.9
Bank loan facilities	1,263.3	1,072.5
Unused at balance date	1,313.2	1,122.4

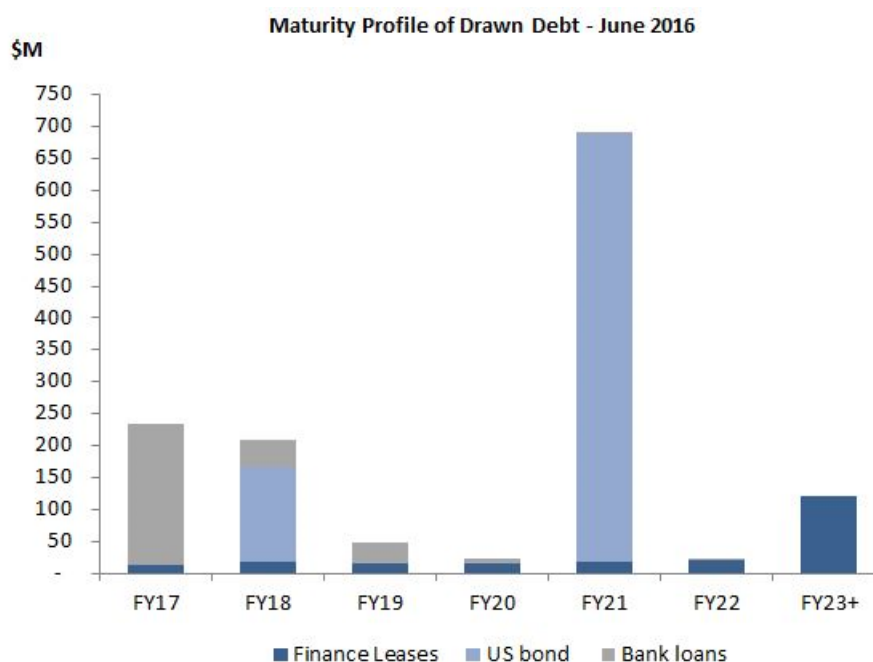
(c) Contractual maturity analysis

The table below reflects all contractual repayments of principal and interest resulting from recognised financial liabilities. 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:						
		< 1 year \$M	1 - 2 years \$M	2 - 3 years \$M	3 - 4 years \$M	4 - 5 years \$M	> 5 years \$M	Total \$M
30 June 2016	Note							
Payables		1,480.7	7.3	13.6	-	-	11.9	1,513.5
Derivative financial instruments	32(d)	2.2	-	-	-	-	-	2.2
Borrowings								
-Principal		233.5	209.3	48.0	22.6	691.7	141.9	1,347.0
-Interest		75.4	71.3	60.8	59.0	51.9	71.0	389.4
		308.9	280.6	108.8	81.6	743.6	212.9	1,736.4

		Contractually maturing in:						
		< 1 year \$M	1 - 2 years \$M	2 - 3 years \$M	3 - 4 years \$M	4 - 5 years \$M	> 5 years \$M	Total \$M
30 June 2015	Note							
Payables		1,306.1	-	-	-	-	11.5	1,317.6
Derivative financial instruments	32(d)	10.6	-	-	-	-	-	10.6
Borrowings								
-Principal		108.6	87.9	458.2	13.0	14.1	121.4	803.2
-Interest		47.9	44.6	38.7	14.1	12.9	67.1	225.3
		156.5	132.5	496.9	27.1	27.0	188.5	1,028.5

16 Borrowings (continued)



(d) Finance costs

	Consolidated	
	2016	2015
	\$M	\$M
Interest and finance charges paid/payable	83.0	55.0
Ancillary finance charges	22.4	17.4
Provisions: unwinding of discount	3.7	4.4
	109.1	76.8

(e) Non-cash financing activities

	Consolidated	
	2016	2015
	\$M	\$M
Acquisition of plant and equipment by means of finance leases	40.9	1.1

The current period represents a US\$29M finance lease addition in New Zealand steel for the use of equipment associated with the transport of iron sands.

(f) Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs incurred, and 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 consequently recognised in profit or loss over the term.

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.

17 Contributed equity

(a) Share capital

	Parent Entity		Parent Entity	
	2016 Shares	2015 Shares	2016 \$M	2015 \$M
Issued fully paid ordinary shares	571,346,300	565,225,282	4,688.1	4,673.8

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue Price	\$M
1 July 2015	Opening balance	565,225,282		4,673.8
	FY14 KMP STI share awards	154,730	\$5.48	0.8
	FY12 KMP LTIP share award	569,918	\$1.01	0.6
	FY12 CEO LTIP share award	1,367,464	\$1.32	1.8
	FY12 KMP Retention share award	521,585	\$1.06	0.6
	FY12 Retention share award	3,507,321	\$2.52	8.8
	Forfeited shares utilised	-	-	0.3
	Share rights - Tax deduction (i)	-	-	1.4
30 June 2016	Balance	571,346,300		4,688.1

Date	Details	Number of shares	Issue Price	\$M
1 July 2014	Opening balance	558,848,896		4,663.1
	FY13 KMP STI share awards	378,975	\$4.95	1.9
	FY13 KMP STI share buy-back	-	-	(0.1)
	FY11 LTIP share award	5,997,411	\$1.26	7.5
	GESP 2012 share buy-back	-	-	(0.5)
	Share rights - Tax deduction (i)	-	-	1.9
30 June 2015	Balance	565,225,282		4,673.8

(i) Share rights - Tax deduction

The tax deduction recorded in share capital represents the estimated tax deduction in excess of accounting expense recognised for share right awards issued to employees in North America.

(c) 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 economic 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 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.

17 Contributed equity (continued)

	Notes	Consolidated	
		2016 \$M	2015 \$M
Total borrowings	16	1,327.8	793.7
Less: Cash and cash equivalents	15	(549.8)	(518.5)
Net debt		778.0	275.2
Total equity		4,985.3	4,739.1
Total capital		5,763.3	5,014.3
Gearing ratio		13.5%	5.5%

(d) Recognition and measurement

Ordinary shares

Ordinary shares are classified as equity and have no par value. Ordinary shares carry one vote per share, the right to participate in dividends and entitle the holder to the proceeds on winding up of the Group in proportion to the number of shares held.

The proceeds of share buy-backs are deducted from equity, including directly attributable incremental costs (net of income taxes). No gain or loss is recognised in profit and loss.

18 Reserves

	Consolidated	
	2016 \$M	2015 \$M
Hedging (b) (i)	1.6	(5.7)
Share-based payments (b) (ii)	59.5	48.1
Foreign currency translation (b) (iii)	(19.4)	0.3
Non-distributable profits (b) (iv)	16.3	15.5
Asset realisation (b) (v)	188.8	188.8
Controlled entity acquisition (b) (vi)	(21.9)	(21.9)
	224.9	225.1

(a) Movements in reserves

	Hedging	Share-based payments	Foreign currency translation	Non-Distributable profits	Asset realisation	Controlled entity acquisition	Total
Consolidated - June 2016 (\$M)							
Opening balance	(5.7)	48.1	0.3	15.5	188.8	(21.9)	225.1
Net gain (loss) on cash flow hedges	(11.6)	-	-	-	-	-	(11.6)
Net gain (loss) on net investments in foreign subsidiaries	-	-	(0.2)	-	-	-	(0.2)
Share-based payments expense	-	23.2	-	-	-	-	23.2
Vesting of share awards	-	(11.8)	-	-	-	-	(11.8)
Deferred tax	(1.3)	-	-	-	-	-	(1.3)
Transfer to inventory	19.6	-	-	-	-	-	19.6
Transfer to PP&E	0.6	-	-	-	-	-	0.6
Transfers from retained profits	-	-	-	0.8	-	-	0.8
Exchange fluctuations	-	-	(19.5)	-	-	-	(19.5)
Closing balance	1.6	59.5	(19.4)	16.3	188.8	(21.9)	224.9

18 Reserves (continued)

	Hedging	Share-based payments	Foreign currency translation	Non-Distributable profits	Asset realisation	Controlled entity acquisition	Total
Consolidated - June 2015 (\$M)							
Opening balance	(1.2)	47.4	(154.2)	14.4	189.3	(21.9)	73.8
Net gain (loss) on cash flow hedges	(17.2)	-	-	-	-	-	(17.2)
Net gain (loss) on net investments in foreign subsidiaries	-	-	53.1	-	-	-	53.1
Share-based payments expense	-	12.7	-	-	-	-	12.7
Vesting of share awards	-	(12.0)	-	-	-	-	(12.0)
Transaction costs	-	-	-	-	(0.5)	-	(0.5)
Transfer to inventory	12.0	-	-	-	-	-	12.0
Transfer to PP&E	0.7	-	-	-	-	-	0.7
Transfers from retained profits	-	-	-	1.1	-	-	1.1
Exchange fluctuations	-	-	101.3	-	-	-	101.3
Other	-	-	0.1	-	-	-	0.1
Closing balance	(5.7)	48.1	0.3	15.5	188.8	(21.9)	225.1

(b) Nature and purpose of reserves

(i) Hedging reserve

Records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge relationship.

(ii) Share-based payments reserve

Recognise the value of equity-settled share-based payments provided to employees, including Key Management Personnel, as part of their remuneration.

(iii) Foreign currency translation reserve

Record exchange fluctuations arising from the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of the translation of the net investments in foreign operations. The cumulative amount is reclassified to profit and loss when the net investment is disposed of.

(iv) Non-distributable profit reserve

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

(v) Asset realisation reserve

Arises from the disposal of 50% interest in BlueScope's ASEAN and North American building product businesses.

(vi) 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.

19 Dividends

(a) Ordinary shares

	Parent entity	
	2016	2015
	\$M	\$M
A final dividend of 3 cents per share was paid on the 19 October 2015 in relation to the year ended 30 June 2015 (2015: Nil).	17.1	-
An interim dividend of 3 cents per fully paid ordinary share was paid on 31 March 2016 in relation to the year ended 30 June 2016 (2015: 3 cents).		
Fully franked based on tax paid at 30%	17.1	17.0
Total dividends paid	34.2	17.0

(b) Dividends not recognised at year-end

For the year ended 30 June 2016, the Directors have approved the payment of a final dividend of 3 cents per fully paid ordinary share, fully franked based on tax paid at 30%.

(c) Franked dividends

	Parent entity	
	2016	2015
	\$M	\$M
Actual franking account balance as at the reporting date	31.3	46.0
Franking credits available for subsequent financial years based on a tax rate of 30%	31.3	46.0

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) Recognition and measurement

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.

Group Structure

This section of the notes provides information which will help users understand how the group structure affects the financial position and performance of the Group.

20 Business combinations

(a) Summary of acquisitions

(i) In June 2014, BlueScope acquired the Auckland long products rolling mill and wire drawing facility from Pacific Steel Group (PSG), a division of Fletcher Steel Limited, for a total purchase price of \$107.2M, of which \$82.2M was deferred as at 30 June 2014. The billet caster was commissioned in December 2015 and a final acquisition payment of \$33.8M was paid by June 2016.

(ii) On 30 October 2015, BlueScope acquired the remaining 50% share of North Star BlueScope Steel LLC for \$999.5M (US\$720M). The business is a high quality steel mini mill in the United States which BlueScope has had a 50% interest in since inception.

The existing 50% equity accounted investment share has been derecognised with a fair value net gain of \$706.6M (US\$509.3M) recognised in the profit and loss after taking into account the carrying value of the investment and carried forward translation reserves relating to the translation of the equity investment to AUD. The 100% share of net assets has been recognised at fair value.

20 Business combinations (continued)

(b) Purchase consideration - cash outflow

	Note	North Star BlueScope Steel LLC \$M
Outflow of cash to acquire subsidiaries, net of cash acquired		
Purchase consideration	20 (c)	999.5
Add: Acquisition costs		9.4
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Cash consideration		1,008.9
Less: Cash balances acquired		(21.2)
Outflow of cash		987.7

(c) Assets acquired and liabilities assumed

	North Star BlueScope Steel LLC \$M
Assets	
Cash assets	21.2
Trade receivables	131.0
Inventories	103.4
Property, plant and equipment	619.7
Intangible assets	390.2
Other assets	2.3
	1,267.8
<hr/>	
Liabilities	
Payables	(121.2)
Other provisions	(8.3)
Borrowings	(69.4)
Deferred tax	(159.7)
	(358.6)
<hr/>	
Total identifiable net assets at fair value	909.2
Goodwill recognised on acquisition (i)	923.2
Fair value of net assets and liabilities acquired	1,832.4
<hr/>	
Less: Carrying value of existing 50% equity investment, net of deferred tax liability	(111.3)
Less : Gain on re-measurement of existing 50% equity investment	(706.6)
Less: Recycling of exchange translation reserve to profit and loss	(15.0)
Purchase consideration transferred	999.5

(i) Goodwill recognised on acquisition of North Star BlueScope Steel LLC represents the premium paid above the fair value of identifiable net assets acquired. The balance relates to intangible assets acquired as part of the acquisition, which are not separately identifiable. Management has identified the following reasons for goodwill:

- Proximity to major raw material and steel markets;
- Product quality;
- Delivery performance record;
- Quality workforce;
- Opportunities for major expansion;
- Opportunities for sale of the entire business in the longer term; and
- Avoiding potential ownership conflicts with differing strategies.

20 Business combinations (continued)

(d) Recognition and measurement

The Group applies the acquisition method of accounting for business combinations. 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 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 and loss.

21 Subsidiaries and non-controlling interests

(a) Investments in subsidiaries

Name of entity	Note	Principal place of business	Equity holding 2016 %	Equity holding 2015 %
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)	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
Permalite Aluminium Building Solutions Pty Ltd		Australia	100	100
Glenbrook Holdings Pty Ltd		Australia	100	100
Fielders Manufacturing Pty Ltd		Australia	100	100
John Lysaght (Australia) Pty Ltd		Australia	100	100
Laser Dynamics Australia Pty Ltd	(a)	Australia	100	100
Lysaght Building Solutions Pty Ltd	(a)	Australia	100	100
Orrcon Distribution Pty Ltd	(a)	Australia	100	100
Orrcon Manufacturing Pty Ltd	(a)	Australia	100	100
Metalcorp Steel Pty Ltd	(a)	Australia	100	100
New Zealand Steel (Aust) Pty Ltd	(a)	Australia	100	100
The Roofing Centre (Tasmania) Pty Ltd	(a)	Australia	100	100
Butler do Brazil Limitada	(g)	Brazil	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

21 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principal place of business	Equity holding 2016 %	Equity holding 2015 %
BlueScope Building Systems (Xi'an) Co Ltd		China	100	100
BlueScope Steel (Suzhou) Ltd		China	100	100
Butler (Shanghai) Inc		China	100	100
Butler (Tianjin) Inc		China	100	100
Shanghai BlueScope Butler Construction Engineering Co. Ltd		China	100	100
BlueScope Lysaght Fiji Ltd		Fiji	64	64
BlueScope Steel North Asia Ltd		Hong Kong	100	100
BlueScope Steel India (Private) Ltd		India	100	100
PT NS BlueScope Indonesia	(b)	Indonesia	50	50
PT NS BlueScope Lysaght Indonesia	(b)	Indonesia	50	50
PT BlueScope Distribution Indonesia	(f)	Indonesia	100	-
PT NS BlueScope Service Center Indonesia	(b)	Indonesia	50	50
PT BlueScope Buildings Indonesia		Indonesia	100	100
BlueScope Buildings (Malaysia) Sdn Bhd		Malaysia	100	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
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		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
BlueScope Steel Investments 2 LLC	(e) (f)	USA	100	-
BlueScope Steel Investments 3 LLC	(e) (f)	USA	100	-
North Star BlueScope Steel LLC	(e)	USA	100	-
VSMA Inc		USA	100	100
BIEC International Inc		USA	100	100

21 Subsidiaries and non-controlling interests (continued)

Name of entity	Note	Principal place of business	Equity holding 2016 %	Equity holding 2015 %
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 Properties Development LLC		USA	100	100
BlueScope Properties Group LLC		USA	100	100
BlueScope Properties Holdings LLC		USA	100	100
BPG Laredo LLC	(f)	USA	100	-
BlueScope Lysaght (Vanuatu) Ltd	(c) (d)	Vanuatu	39	39
BlueScope Buildings Vietnam		Vietnam	100	100
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 Limited tax consolidated group. Refer to note 30(d)(ii).

- (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 31.
- (b) These entities are part of the joint venture established between BlueScope and Nippon Steel & Sumitomo Metal Corporation and have been classified as controlled entities because of the Group'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) On 30 October 2015, BlueScope acquired the remaining 50% share of North Star BlueScope Steel LLC, resulting in the consolidation of the previous 50% held equity accounted investment. As part of this transaction two holding entities, including BlueScope Steel Investments 2 LLC and BlueScope Steel Investments 3 LLC, were incorporated.
- (f) New entities incorporated during the year.
- (g) This entity is in the process of being liquidated and deregistered.

(b) Principles of consolidation

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. Subsidiaries are consolidated from the date on which control is transferred to the Group.

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.

21 Subsidiaries and non-controlling interests (continued)

(c) Non-controlling interests (NCI)

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.

Financial information of subsidiaries that have material non-controlling interests, as determined by reference to the net assets of the Group, are provided below:

Name of entity	Place of business/ country of incorporation	2016	2015
		%	%
Proportion of equity interest held by non-controlling interests:			
NS BlueScope (Steel) Thailand Ltd	Thailand	60	60
Steelscape LLC	USA	50	50
Accumulated balances of material non-controlling interest:			
		2016	2015
		\$M	\$M
NS BlueScope (Steel) Thailand Ltd		160.1	159.5
Steelscape LLC		146.1	133.3
Profit (loss) allocated to material non-controlling interest:			
NS BlueScope (Steel) Thailand Ltd		23.6	23.8
Steelscape LLC		12.6	1.1

The summarised financial information of these subsidiaries are provided below. This information is based on amounts before inter-company eliminations.

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
	30 June 2016 \$M	30 June 2015 \$M	30 June 2016 \$M	30 June 2015 \$M
Summarised statement of financial position				
Current assets	172.9	201.6	212.0	228.8
Non-current assets	179.4	173.7	134.3	136.9
Total assets	352.3	375.3	346.3	365.7
Current liabilities	81.8	106.0	37.3	83.4
Non-current liabilities	3.5	3.4	16.8	15.7
Total liabilities	85.3	109.4	54.1	99.1
Net assets	267.0	265.9	292.2	266.6
Attributable to:				
Owners of BlueScope Steel Limited	106.9	106.4	146.1	133.3
Non-controlling interests	160.1	159.5	146.1	133.3

21 Subsidiaries and non-controlling interests (continued)

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
	30 June 2016 \$M	30 June 2015 \$M	30 June 2016 \$M	30 June 2015 \$M
Summarised statement of comprehensive income				
Revenue	410.0	425.3	560.5	552.1
Expenses	(364.9)	(382.0)	(535.3)	(549.9)
Profit before tax	45.1	43.3	25.2	2.2
Income tax (expense)	(5.8)	(3.7)	-	-
Profit after tax	39.3	39.6	25.2	2.2
Attributable to non-controlling interests	23.6	23.8	12.6	1.1
Dividends paid to NCI	21.5	22.9	3.4	8.9

	NS BlueScope (Steel) Thailand Ltd		Steelscape LLC	
	30 June 2016 \$M	30 June 2015 \$M	30 June 2016 \$M	30 June 2015 \$M
Summarised statement of cash flows				
Cash inflow from operating activities	52.3	38.2	23.2	26.6
Cash (outflow) inflow from investing activities	(23.6)	(21.4)	(8.1)	(9.9)
Cash (outflow) from financing activities	(36.8)	(52.9)	2.4	(23.2)
Net increases (decrease) in cash and cash equivalents	(8.1)	(36.1)	17.5	(6.5)

22 Investment in associates

	Consolidated	
	2016 \$M	2015 \$M
Investment in associates	8.6	7.3

Name of company

	Principal Place of Business	Ownership interest	
		2016 %	2015 %
Saudi Building Systems Manufacturing Company Ltd	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 (a) (i)	New Zealand	-	28

(a) Movements in carrying amounts

	Consolidated	
	2016 \$M	2015 \$M
Carrying amount at the beginning of year	7.3	12.0
Share of profits after income tax	3.9	5.4
Dividends received/receivable	(3.3)	(4.6)
Reclass to held for sale asset (i)	-	(5.3)
Currency fluctuation	0.7	-
Reserve movements	-	(0.2)
Carrying amount at the end of the year	8.6	7.3

22 Investment in associates (continued)

(i) On 1 July 2015, New Zealand Steel sold its 28% equity accounted investment in McDonald's Lime for \$38.1M resulting in a \$32.9M pre-tax profit.

(b) Contingent assets and liabilities relating to associates

There were no contingent assets and liabilities relating to investments in associates.

(c) Recognition and measurement

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 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.

23 Investment in joint ventures

	Consolidated	
	2016	2015
	\$M	\$M
Interest in joint venture partnerships	30.7	137.3

The Group also has a 50% interest in Tata BlueScope Steel Ltd, an Indian resident, the principal activity of which is to manufacture metallic coated and painted steel products and engineered building solutions.

(a) Movements in carrying amounts

	North Star BlueScope Steel LLC		Tata BlueScope Steel	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
Carrying amount at beginning of year	112.8	103.3	24.5	23.4
Share of profit (loss) after income tax	28.7	112.5	7.3	(2.2)
Dividends received/receivable	(24.2)	(127.3)	-	-
Disposal of equity investment (i)	(124.5)	-	-	-
Reserve movements	-	-	(0.3)	-
Exchange fluctuations	7.2	24.3	(0.8)	3.3
Carrying amount at the end of the year	-	112.8	30.7	24.5

(i) On 30 October 2015, BlueScope acquired the remaining 50% share of North Star BlueScope Steel LLC, resulting in the disposal of the existing 50% equity accounted investment and recognising 100% share at fair value as a controlled entity.

23 Investment in joint ventures (continued)

(b) Summarised financial information

	North Star BlueScope Steel LLC		Tata BlueScope Steel		Consolidated	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Summarised statement of financial position						
Current assets						
Cash and cash equivalents	-	12.1	41.9	22.6	41.9	34.7
Receivables	-	107.4	21.1	24.3	21.1	131.7
Inventories	-	86.9	43.6	46.9	43.6	133.8
Prepayment and other assets	-	1.3	13.4	17.5	13.4	18.8
Non-current assets						
Property plant and equipment	-	177.6	185.9	204.5	185.9	382.1
Other	-	0.3	2.5	0.1	2.5	0.4
Total assets	-	385.6	308.4	315.9	308.4	701.5
Current liabilities						
Payables	-	68.7	41.5	92.6	41.5	161.3
Provisions	-	25.6	1.4	0.8	1.4	26.4
Deferred income	-	-	11.4	8.5	11.4	8.5
Non-current liabilities						
Payables	-	0.6	1.7	7.8	1.7	8.4
Borrowings	-	65.2	187.6	153.9	187.6	219.1
Provisions	-	-	3.3	3.2	3.3	3.2
Total liabilities	-	160.1	246.9	266.8	246.9	426.9
Net assets	-	225.5	61.5	49.1	61.5	274.6
Proportion of the Group's ownership (%)	-	50.0	50.0	50.0	50.0	50.0
Carrying amount of the investment	-	112.8	30.7	24.5	30.7	137.3

	North Star BlueScope Steel LLC ⁽ⁱ⁾		Tata BlueScope Steel		Consolidated	
	2016 \$M	2015 \$M	2016 \$M	2015 \$M	2016 \$M	2015 \$M
Summarised statement of comprehensive income:						
Revenues	470.1	1,525.3	340.0	297.8	810.1	1,823.1
Expenses	(405.6)	(1,282.5)	(287.9)	(264.2)	(693.5)	(1,546.7)
Depreciation and amortisation expense	(6.8)	(16.9)	(14.8)	(13.8)	(21.6)	(30.7)
Finance costs	(0.3)	(0.9)	(22.5)	(24.2)	(22.8)	(25.1)
Profit (loss) before income tax	57.4	225.0	14.8	(4.4)	72.2	220.6
Income tax (expense) benefit	-	-	-	-	-	-
Group's share of profit (loss) for the year	28.7	112.5	7.4	(2.2)	36.1	110.3
Capital commitments	-	-	-	1.0	-	1.0
Group's share of capital commitments	-	-	-	0.5	-	0.5

(i) For the year ended 30 June 2016, North Star BlueScope Steel LLC's results represents four months of Group's equity accounted share of profit.

23 Investment in joint ventures (continued)

(c) Contingent liabilities relating to joint ventures

Export Promotion Capital Goods Scheme (EPCG)

TBSL has imported goods under the Government of India's EPCG scheme at the concessional rates of duty with an obligation to fulfill the specified exports. Failure to meet this export obligation within the stipulated time would result in payment of the aggregate differential duty saved along with interest. TBSL is confident of meeting the obligation. BlueScope's 50% share of this contingent liability is \$5.1M (2015: \$5.2M).

Disputed rent

The Jharkhand Government has been in a land rental dispute with Tata Steel for several years and this matter impacts the rental costs of Tata BlueScope Steel Limited (TBSL) as a sub-tenant of Tata Steel. BlueScope's 50% share of this contingent liability is \$4.5M.

Taxation

TBSL has direct and indirect tax computations which have been submitted but not agreed by the relevant authorities. TBSL has provided for the amount of tax it expects to pay taking into account professional advice it has received. The matters currently in dispute could result in amendments to the original computations. BlueScope's 50% share of the potential amendments is \$3.7M.

(d) Secured liabilities and assets pledged as security

The Tata BlueScope Steel borrowings are secured against property, plant and equipment.

(e) Impairment losses

Impairment losses of \$2.3M (2015: \$2.5M) were recognised in relation to the Group's 47.5% investment in Castrip LLC.

(f) Recognition and measurement

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. 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.

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.

24 Discontinued operations

(a) Description

Building Solutions Australia

The Group discontinued its Building Solutions Australia business, including the sale of its industrial water tank operations on 19 June 2015 for \$7.2M (net of selling expenses).

(b) Financial performance of discontinued operations

	Consolidated					
	2016			2015		
	Building Solutions Australia \$M	Other \$M	Total \$M	Building Solutions Australia \$M	Other \$M	Total \$M
Revenue	-	-	-	31.6	-	31.6
Other income	-	-	-	5.4	-	5.4
Restructuring costs	-	-	-	(2.9)	-	(2.9)
Finance costs	-	-	-	(0.3)	-	(0.3)
Other expenses	-	(0.7)	(0.7)	(31.7)	(0.5)	(32.2)
Profit (loss) before income tax	-	(0.7)	(0.7)	2.1	(0.5)	1.6
Income tax benefit	-	0.1	0.1	0.6	-	0.6
Profit (loss) after income tax from discontinued operations	-	(0.6)	(0.6)	2.7	(0.5)	2.2

The results 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 do not represent the operations as stand-alone entities.

Unrecognised Items

This section of the notes provides information about items that are not recognised in the financial statements as they do not yet satisfy the recognition criteria but could potentially have an impact on the Group's financial position and performance.

25 Contingencies

(a) Contingent liabilities

The Group had contingent liabilities at 30 June 2016 in respect of:

(i) Outstanding legal matters

BlueScope has initiated legal proceeding against South32 alleging certain coal supply contract non-compliances estimated at approximately \$78 million. South32 subsequently initiated legal proceedings against BlueScope alleging certain other coal supply contract non-compliances with a similar value.

In addition, there were a range of immaterial outstanding legal matters that were contingent on court decisions, arbitration rulings and private negotiations to determine amounts required for settlement. The contingent liability for minor legal matters is estimated to be \$3.8M (2015: \$3.5M).

(ii) Guarantees

In Australia, BlueScope Steel Limited has provided \$87.6M (2015: \$88.7M) in guarantees to various state workers compensation authorities as a prerequisite for self-insurance. An amount, net of recoveries, of \$55.6M (2015: \$59.0M) has been recognised as recommended by independent actuarial advice.

Bank guarantees have been provided to customers and suppliers in respect of the performance of goods and services provided and purchases of goods and services which are immediately callable by default. Bank guarantees outstanding at 30 June 2016 totalled \$88.4M (2015: \$81.8M).

25 Contingencies (continued)

(iii) Taxation

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 2016.

26 Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated	
	2016	2015
	\$M	\$M
Property, plant and equipment		
Payable:		
Within one year	37.5	75.7
Later than one year but not later than five years	0.4	3.5
	37.9	79.2

(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 rental expense relating to operating leases for 30 June 2016 was \$101.8M (2015: \$102.7M). 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	
	2016	2015
	\$M	\$M
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within one year	116.4	117.1
Later than one year but not later than five years	272.8	294.6
Later than five years	259.3	304.2
Total operating lease commitments	648.5	715.9

(ii) Finance leases

The Group leases various property, plant and equipment with a carrying amount of \$88.8M (2015: \$157.0M).

The terms and conditions of other leases include varying terms, purchase options and escalation clauses. On renewal, the terms of these are renegotiated.

There are no restrictions of use placed upon the lessee by entering into any of these leases.

26 Commitments (continued)

	Notes	Consolidated	
		2016 \$M	2015 \$M
Commitments in relation to finance leases are payable as follows:			
Within one year		31.9	26.2
Later than one year but not later than five years		132.6	112.1
Later than five years		210.8	184.4
Minimum lease payments		375.3	322.7
Future finance charges		(151.6)	(138.6)
Recognised as a liability		223.7	184.1
Representing lease liabilities:			
Current	16	13.1	9.6
Non-current	16	210.6	174.5
Total finance lease liabilities		223.7	184.1

(c) Recognition and measurement - Lease liabilities

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 and the arrangement conveys a right to control the use of the asset, even if that right is not explicitly specified in an arrangement.

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.

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.

27 Events occurring after balance date

On 8 July 2016, the Group sold its 47.5% interest in Castrip for US\$20M. The investment in Castrip is held at \$Nil value.

Other Information

This section of the notes includes information on items which require disclosure to comply with Australian Accounting Standards and other regulatory pronouncements but are not considered critical in understanding the financial performance or position of the Group.

28 Share-based payments

(a) Share award schemes

(i) STI share awards - Key Management Personnel

The Board approved the annual STI plans for FY16 and FY17 for the CEO and Key Management Personnel, being a two year equity STI program. No amount will be paid in cash. Performance will be assessed at the end of FY17 against a range of financial and other measures aligned with the returns delivered to shareholders from the implementation of initiatives under the Group's strategic plan.

(ii) 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 Limited. LTIPs are designed to reward senior management for long-term value creation, and are part of the Group's overall recognition and retention strategy. The share rights give the right to receive an ordinary share 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 Group'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 or a compound annual growth rate of Earnings per Share (EPS) condition. 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.

(iii) Retention share awards

The Board has awarded retention shares to limited Key Management Personnel and senior management throughout the Group, 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.

(iv) Deferred Equity Award

The Board awarded deferred equity awards to senior management throughout the Group, with no performance hurdles required to be met. The equity award gives the right to receive an ordinary share at a later date subject to continued employment with the Group.

(b) Fair value of share rights granted

The fair value of the share rights granted during the year ended 30 June 2016 are as follows:

Fair Value inputs	CEO and KMP FY16 and FY17 STI awards	FY16 CEO and KMP LTIP (TSR)	FY17 CEO and KMP LTIP (TSR)	FY16 CEO and KMP LTIP (EPS)	FY17 CEO and KMP LTIP (EPS)	FY16 LTIP (Senior management) (TSR)	FY16 Deferred Equity Awards (Senior management)
Grant date	1 July 2015	1 Sept 2015	1 Sept 2015	1 Sept 2015	1 Sept 2015	1 Sept 2015	1 Sept 2015
Latest expiry date	30 Jun 2017	31 Aug 2019	31 Aug 2020	31 Aug 2018	31 Aug 2019	31 Aug 2019	31 Aug 2018
Share rights granted	3,344,700	1,061,275	1,061,275	1,061,275	1,061,275	2,041,420	1,775,130
Fair value estimate at grant date (\$)	3.79	2.48	2.47	3.69	3.60	2.48	3.69
Cash rights (i)	-	-	-	-	-	53,550	79,950
Valuation date share price (\$)	3.95	3.95	3.95	3.95	3.95	3.95	3.95
Expected dividend yield (%)	2.50	2.50	2.50	2.50	2.50	2.50	2.50
Expected risk-free interest rate (%)	2.08	2.21	2.21	2.14	2.21	2.21	2.14
Expected share price volatility (%)	40.00	40.00	40.00	40.00	40.00	40.00	40.00

(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.

28 Share-based payments (continued)

(c) Cash and equity settled awards outstanding

	STI share awards (CEO & KMP) ⁽ⁱ⁾	LTIP (CEO, KMP & Senior management)	Retention share awards (KMP & Senior management)	Deferred Equity (Senior management)
Outstanding at the beginning of the year	290,473	6,997,826	6,312,502	932,150
Granted during the year	3,532,763	6,340,070	-	1,855,080
Exercised during the year	(290,473)	(1,440,928)	(4,355,268)	-
Lapsed during the year	-	(1,365,150)	(128,880)	(58,520)
Outstanding at the end of the year	3,532,763	10,531,818	1,828,354	2,728,710
Exercisable at the end of the year	-	-	-	-

(i) The STI share awards for CEO and KMP granted during the year includes FY15 STI shares of 188,063 of which 129,621 shares were issued on the 10 August 2016, with the remaining to be purchased on market.

The average share price for the year ended 30 June 2016 was \$4.79 (2015: \$4.87).

The weighted average remaining contractual life of share rights outstanding at the end of the period was 1.6 years (2015:1.4 years).

(d) Expense arising from share-based payment transactions

	Consolidated	
	2016 \$M	2015 \$M
Employee share rights expense	23.2	12.4
Employee share awards expense (write-back)	2.6	(0.3)
Total net expense arising from share-based payments	25.8	12.1

The carrying amount of the liability relating to share-based payment plans at 30 June 2016 is \$2.7M (30 June 2015: \$2.9M). This liability represents the deferred cash amounts payable under LTIPs and Retention schemes.

(e) Recognition and measurement

Equity settled transactions

The fair value of equity settled awards are recognised as an employee benefit expense with a corresponding increase to the share based payments reserve within equity. The 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.

The fair value of equity settled awards 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.

Non-market vesting conditions are included in assumptions about the number of share awards or share rights that are expected to vest. The 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.

28 Share-based payments (continued)

The cumulative expense recognised for equity settled 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 expense is recognised for awards that do not ultimately vest due to a performance condition not being met, except for share rights where vesting is only conditional upon a market condition. 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 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.

Cash settled transactions

The ultimate expense recognised in relation to cash-settled transactions will be equal to the actual cash paid to the employees, which will be the fair value at settlement date. The expected cash payment is estimated at each reporting date and a liability is recognised to the extent that the vesting period has expired and in proportion to the amount of the awards that are expected to ultimately vest.

29 Related party transactions

(a) Parent entities

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

(b) Key Management Personnel compensation

	Consolidated	
	2016 \$'000	2015 \$'000
Short-term employee benefits	8,147.4	11,719.2
Post-employment benefits	101.3	400.1
Other long-term benefits	159.8	223.5
Share-based payments	11,528.1	4,449.2
	19,936.6	16,792.0

A review of all existing KMP roles was conducted which concluded that the Chief Legal Officer and Company Secretary and Executive General Manager of People & Performance no longer met the criteria for consideration as KMP.

(c) Transactions with other related parties

The following transactions occurred with related parties other than Key Management Personnel or entities related to them:

	Consolidated	
	2016 \$M	2015 \$M
<i>Sales of goods and services</i>		
Sales of goods to associates	2.3	5.9
Sales of goods to joint venture partnerships	-	0.1
<i>Interest revenue</i>		
Associates	0.1	0.2
<i>Superannuation contributions</i>		
Contribution to superannuation funds on behalf of employees	107.2	132.2

29 Related party transactions (continued)

(d) Outstanding balances

The following balances are outstanding at the reporting date in relation to transactions with related parties other than key management personnel:

	Note	Consolidated 2016 \$M	2015 \$M
<i>Current receivables (sales of goods and services)</i>			
Associates		0.2	0.4
<i>Current receivables (loans)</i>			
Associates	6	1.3	3.7
<i>Current payable (purchase of goods and services)</i>			
Associates		2.9	3.3

(e) 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. There are no fixed terms for the repayment of loans between the parties.

The terms and conditions of the tax funding agreement are set out in note 30(d)(ii).

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 \$1.3M (2015: \$1.1M). These transactions have been made on commercial arm's length terms and conditions.

30 Parent entity financial information

(a) Summary financial information

Summarised Statement of comprehensive income

	2016 \$M	2015 \$M
Revenue	2,668.0	3,244.9
Other Income	0.7	2.2
Net impairment (expense) of non-current assets	(724.9)	(34.0)
Finance cost	(111.8)	(124.9)
Other expenses	(2,368.8)	(2,275.1)
Profit (loss) before income tax	(536.8)	813.1
Income tax expense (benefit)	(0.6)	(20.3)
Net profit (loss) for the year	(537.4)	792.8
Other comprehensive income (loss) for the year	1.4	(8.5)
Total comprehensive income (loss) for the year	(536.0)	784.3

Summary of movements in retained losses

Retained losses at the beginning of the year	(986.0)	(975.6)
Net profit (loss) for the year	(537.4)	792.8
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	-	(10.4)
Dividends paid to BSL shareholders	-	(17.0)
Transfer to profits reserve	-	(775.8)
Retained losses at the end of the year	(1,523.4)	(986.0)

Summarised Statement of financial position

	2016 \$M	2015 \$M
Assets		
Current assets	4,496.3	4,491.5
Non-current assets	1,526.8	2,278.7
Total assets	6,023.1	6,770.2
Liabilities		
Current liabilities	1,989.0	2,183.1
Non-current liabilities	68.3	75.4
Total liabilities	2,057.3	2,258.5
Net assets	3,965.8	4,511.7
Equity		
Contributed equity	4,688.1	4,673.8
Share-based payments reserve	59.5	48.1
Profits reserve	741.6	775.8
Retained losses	(1,523.4)	(986.0)
Total equity	3,965.8	4,511.7

Profits reserve

Profits reserve represents profits available for distribution to BlueScope Steel Limited shareholders as dividends.

30 Parent entity financial information (continued)

(b) Guarantees entered into by the parent entity

In Australia, the parent entity has given \$87.6M (2015: \$88.7M) 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 31). Additionally, the parent entity has provided financial guarantees in respect to subsidiaries amounting to:

	Parent entity	
	2016 \$M	2015 \$M
Bank overdrafts and loans of subsidiaries	917.0	565.2
Other loans (unsecured)	816.8	391.0
Trade finance facilities	200.9	195.5
	1,934.7	1,151.7

(c) Capital commitments

As at 30 June 2016, the parent entity had capital commitments of \$5.2M (June 2015: \$4.6M). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

(d) Recognition and measurement

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

(i) Investment 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 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 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 \$90.2M (2015: \$79.0M) and intercompany payables of \$86.9M (2015: \$100.4M) of BlueScope Steel Limited have been recognised as a tax consolidated adjustment.

31 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:

Amari Wolff Steel Pty Ltd
BlueScope Building and Construction Ltd
BlueScope Construction Ltd
BlueScope Distribution Pty Ltd
BlueScope Pacific Steel (Fiji) Pty Limited
BlueScope Steel Limited
BlueScope Solutions Holdings Pty Ltd
BlueScope Water Australia
Fielders Manufacturing Pty Ltd
Glenbrook Holdings Pty Ltd
Lysaght Building Solutions Pty Ltd
Laser Dynamics Australia Pty Ltd
Metalcorp Steel Pty Ltd
New Zealand Steel (Aust) Pty Ltd
Orrcon Distribution Pty Ltd
Permalite Aluminium Building Solutions Pty Ltd
The Roofing Centre (Tasmania) Pty Ltd

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

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

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'.

	2016 \$M	2015 \$M
Statement of comprehensive income		
Revenue	3,519.4	4,597.8
Other income	88.8	7.8
Changes in inventories of finished goods and work in progress	(73.0)	(32.1)
Raw materials and consumables used	(2,004.2)	(2,307.3)
Employee benefits expense	(524.9)	(578.1)
Depreciation and amortisation expense	(61.5)	(66.4)
Impairment of non-current assets	(720.8)	-
Freight on external despatches	(203.1)	(208.6)
External services	(298.5)	(298.9)
Finance costs	(116.5)	(133.2)
Other expenses from ordinary activities	(95.5)	(55.5)
Profit (loss) before income tax	(489.8)	925.5
Income tax (expense) benefit	19.8	(1.3)
Net profit (loss) for the year	(470.0)	924.2
<i>Items that may be reclassified to profit or loss</i>		
Actuarial gain (loss) on defined benefit superannuation plans	-	(10.3)
Total comprehensive income (loss) for the year	(470.0)	913.9

31 Deed of cross - guarantee (continued)

	2016 \$M	2015 \$M
Summary of movements in consolidated retained losses		
Retained losses at the beginning of the year	(838.3)	(959.4)
Net profit (loss) for the year	(470.0)	924.2
Actuarial gains (losses) on defined benefit plans recognised directly in retained profits	-	(10.3)
Dividends paid to Company shareholders	-	(17.0)
Transfer to profits reserve	-	(775.8)
Retained losses at the end of the year	(1,308.3)	(838.3)

(b) Statement of financial position

	2016 \$M	2015 \$M
Current assets		
Cash and cash equivalents	69.0	31.8
Trade and other receivables	4,352.5	4,418.6
Inventories	426.8	500.7
Deferred charges and prepayments	16.0	11.6
Total current assets	4,864.3	4,962.7
Non-current assets		
Receivables - external	8.4	8.4
Inventories	15.6	16.5
Other financial assets	993.5	1,673.6
Property, plant and equipment	572.0	597.9
Deferred tax assets	84.6	84.6
Intangible assets	40.1	78.8
Prepayment	-	5.0
Total non-current assets	1,714.2	2,464.8
Total assets	6,578.5	7,427.5
Current liabilities		
Trade and other payables	686.9	686.9
Borrowings	1,459.1	1,795.9
Provisions	152.5	173.9
Deferred income	6.2	6.6
Total current liabilities	2,304.7	2,663.3
Non-current liabilities		
Payables	0.9	1.1
Borrowings	19.7	20.1
Provisions	69.7	80.4
Deferred income	2.9	3.2
Total non-current liabilities	93.2	104.8
Total liabilities	2,397.9	2,768.1
Net assets	4,180.6	4,659.4
Equity		
Contributed equity	4,688.1	4,673.8
Share-based payments reserve	59.5	48.1
Hedge reserve	(0.3)	-
Profits reserve	741.6	775.8
Retained losses	(1,308.3)	(838.3)
Total equity	4,180.6	4,659.4

32 Financial instruments and risk

(a) Financial assets and liabilities

		Loans and receivables \$M	Derivative instruments \$M	Financial liabilities at amortised cost \$M	Total carrying amount \$M
30 June 2016					
	Notes				
Financial assets					
Receivables	6	1,194.2	-	-	1,194.2
Derivative financial instruments	32(d)	-	5.1	-	5.1
		1,194.2	5.1	-	1,199.3
Financial liabilities					
Payables	9	-	-	(1,513.5)	(1,513.5)
Borrowings	16	-	-	(1,327.8)	(1,327.8)
Derivative financial instruments	32(d)	-	(2.2)	-	(2.2)
		1,194.2	2.9	(2,841.3)	(1,644.2)

		Loans and receivables \$M	Derivative instruments \$M	Financial liabilities at amortised cost \$M	Total carrying amount \$M
30 June 2015					
	Notes				
Financial assets					
Receivables	6	1,123.6	-	-	1,123.6
Derivative financial instruments	32(d)	-	1.4	-	1.4
		1,123.6	1.4	-	1,125.0
Financial liabilities					
Payables	9	-	-	(1,317.6)	(1,317.6)
Borrowings	16	-	-	(793.7)	(793.7)
Derivative financial instruments	32(d)	-	(10.6)	-	(10.6)
		1,123.6	(9.2)	(2,111.3)	(996.9)

32 Financial instruments and risk (continued)

(b) Risk management

The Board of Directors has overall responsibility for overseeing the management of financial risks, and approves policies for financial risk management with the objective of supporting the delivery of financial targets while protecting future financial security.

The Group's Audit & Risk Committee regularly reviews the financial risk management framework to ensure it is appropriate when considering any changes in market conditions. It reviews financial risk management controls and procedures and oversees how management monitors compliance with these, and monitors the levels of exposure to fluctuations in commodity prices, interest rates, and foreign exchange rates.

Risk	Exposure arising from	Measurement	Management
Foreign exchange risk	Foreign currency payables and receivables (primarily USD) and net investments in foreign currency.	Sensitivity analysis and cash flow forecasting	Hedged with forward foreign exchange contracts or internal (net investment) of foreign operations as disclosed in note (c).
Interest rate risk	Floating interest rate bearing liabilities (2016: \$305.2M, 2015: \$226.5M) and investments in cash and cash equivalents (2016: \$549.8M, 2015: \$518.5M).	Sensitivity analysis	Given the level of exposure, any impact from reasonably possible movements in interest rates (+/- 50 basis points) will be immaterial.
Commodity price risk	International steel prices (primarily hot rolled coil and slab), and commodity prices including iron ore, coal, scrap, zinc, aluminium and electricity.	Sensitivity analysis	Forward commodity contracts as disclosed in note (c). Any impact from reasonably possible movements based on an historical basis and market expectations (+/- 20%) in electricity will be immaterial.
Liquidity risk	Difficulty in meeting obligations associated with financial liabilities.	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 16(b) for a summary of the Group's material financing facilities. When undertaking financing facilities, the Group takes into account a liquidity buffer which is reviewed at least annually.
Credit risk (Counterparties/ Geographical)	<ul style="list-style-type: none"> -Possibility that counterparties to the Group's financial assets, including cash, receivables and derivative financial instruments, will fail to settle their obligations under their contracts. - Large number of customers internationally dispersed with trades in several major geographical regions. -Regions in which the Group has a significant credit exposure are Australia, USA, China, South-East Asia and New Zealand. -Significant transactions with major customers, being Arrium Limited and Fletcher Building's Group within the Australian operations. 	Ageing analysis and fair value exposure management	<ul style="list-style-type: none"> -Establish credit approvals and limits, including the assessment of counterparty creditworthiness. -Undertake monitoring procedures such as periodic assessments of the financial viability of its counterparties and reviewing terms of trade. -Obtain letters of credit from financial institutions to guarantee the underlying payment from trade customers. -Undertake debtor insurance to cover selective receivables for both commercial and sovereign risks.

32 Financial instruments and risk (continued)

(c) Foreign currency risk exposure and sensitivity analysis (AUD/USD)

	Consolidated	
	2016	2015
	\$M	\$M
Cash and cash equivalents	23.4	102.2
Trade and other receivables	44.6	63.7
Forward foreign exchange contracts	4.0	1.4
Forward commodity contracts	0.1	-
Financial assets	72.1	167.3
Trade and other payables	167.7	153.0
Borrowings	77.7	87.6
Forward foreign exchange contracts	0.9	3.2
Forward commodity contracts	-	6.7
Financial liabilities	246.3	250.5
Net exposure	(174.2)	(83.2)

This exposure for the Group does not reflect the natural hedge of USD assets against USD borrowings of AUD 70.2M (2015: AUD 13.5M).

Judgement of reasonably possible movements:	Post-tax profit higher (lower)		Equity higher (lower)	
	2016	2015	2016	2015
	\$M	\$M	\$M	\$M
AUD/USD + 10% (2015: +10%)	12.5	5.9	12.5	5.9
AUD/USD - 10% (2015: -10%)	(15.3)	(7.2)	(15.3)	(7.2)

(d) Commodity price and foreign exchange risk management

The Group uses derivative instruments to manage commodity price risk and foreign exchange risk by entering into forward contracts. Derivatives are used only for the purposes of managing these risks and not for speculative purposes.

	Consolidated	
	2016	2015
	\$M	\$M
Forward foreign exchange contracts - cash flow hedges (i)	3.6	1.2
Forward foreign exchange contracts - fair value hedges (i)	1.4	0.2
Forward commodity contracts - cash flow hedges (ii)	0.1	-
Financial assets	5.1	1.4
Forward foreign exchange contracts - cash flow hedges (i)	2.0	3.1
Forward foreign exchange contracts - fair value hedges (i)	0.2	0.1
Forward commodity contracts - cash flow hedges (ii)	-	7.4
Financial liabilities	2.2	10.6
Net exposure	2.9	(9.2)

(i) Forward foreign exchange contract

The Group has entered into forward foreign exchange contracts designated as cash flow hedges and fair value hedges relating to foreign currency sales and purchases and hedging of net working capital exposures. For the cash flow hedges, the effective portion of gains and losses are recognised directly in equity. The fair value hedges are being marked to market through the profit and loss in line with the Group's risk management strategy.

32 Financial instruments and risk (continued)

(ii) Forward commodity contracts

The Group has entered into forward contracts for the purchase of electricity, iron ore and bunker fuel for its New Zealand Steel business and iron ore purchases at Port Kembla as a means of hedging its exposure to electricity, bunker fuel and iron ore price fluctuations. Both of these forward contracts have been designated as cash flow hedges with the effective portion of gains and losses recognised directly in equity.

(e) Fair values

The carrying amounts and estimated fair values of the Group's financial instruments recognised in the financial statements are materially the same, with the exception of the following:

	2016		2015	
	Carrying amount \$M	Fair value \$M	Carrying amount \$M	Fair value \$M
<i>Non-traded financial liabilities</i>				
Other loans	816.8	897.5	391.0	463.1
Net assets (liabilities)	(816.8)	(897.5)	(391.0)	(463.1)

The above financial liability is not 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.

Valuation of financial instruments

- (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).

Derivatives valued using valuation techniques with market observable inputs are primarily foreign exchange forward contracts and commodity forward contracts. These valuations reference 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. The fair value of forward commodity exchange contracts (\$0.1M) and forward foreign exchange contracts (\$2.8M) are considered level 2 valuations.

(f) Recognition and measurement of derivatives

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 relationship between hedging instruments and hedged items, the risk management objective and the strategy for undertaking hedge transactions, are documented at the inception of the hedge transaction. The effectiveness of the derivatives in offsetting changes in fair values or cash flows of hedged items is assessed and documented on an ongoing basis.

(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.

32 Financial instruments and risk (continued)

(ii) Cash flow hedges

Changes in the fair value of derivatives that are designated as cash flow hedges are recognised in other comprehensive income and accumulated in the hedging reserve in equity. The gain or loss relating to the effective portion is recognised in other comprehensive income and accumulated in the hedging reserve, whilst ineffective portions are 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.

(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.

(v) Discontinuation of hedge accounting

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.

33 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Group, and its related practices:

(a) Audit services

	Consolidated	
	2016	2015
	\$	\$
<i>Audit and review of financial statements and other audit work under the Corporations Act 2001:</i>		
Ernst & Young (including overseas Ernst & Young firms)	4,096,000	4,575,000

33 Remuneration of auditors (continued)

(b) Other services

	Consolidated	
	2016	2015
	\$	\$
Other non-audit services		
Ernst & Young Australian firm		
Tax compliance services	357,000	48,810
Advisory services	46,000	490,000
Assurance related	726,000	7,000
Related practices of Ernst & Young Australian firm (including overseas Ernst & Young firms)		
Tax compliance services	44,000	56,095
Advisory services	-	7,000
	1,173,000	608,905

34 Other accounting policies

(a) New and amended Standards and Interpretations adopted by the Group

- (i) *AASB 2015-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 101 (effective 1 July 2016)*

The standard makes amendments to *AASB 101 Presentation of Financial Statements* arising from the IASB's Disclosure Initiative project. The amendments are designed to further encourage companies to apply professional judgement in determining what information to disclose in the financial statements.

The Group has early adopted this standard and streamlined the financial report as per the recommendations of the IASB's Disclosure Initiative project.

(b) New Accounting Standards and Interpretations not yet adopted by the Group

Certain new Accounting Standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below.

- (i) *AASB 9 Financial Instruments (effective from 1 July 2018)*

This standard addresses the classification, measurement and derecognition of financial assets in addition to new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

An assessment of the impact of the amendments to the standard have been carried out and it is not expected to result in a material change to the financial statements and disclosures of the Group.

- (ii) *AASB 15 Revenue from Contracts with Customers (effective 1 July 2018)*

AASB 15 replaces AASB 118 Revenue which covers contracts for goods and services, and AASB 111 Construction Contracts, which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of good or service transfers to a customer, so the notion of control replaces the existing notion of risk and rewards. This standard will change the timing and in some cases the quantum of revenue recognised.

Management has carried out a preliminary assessment of the impact of the new standard and expects that it will not have a material impact on the Group's recognition and measurement of revenue. Further assessment will be carried out to confirm this outcome.

34 Other accounting policies (continued)

(iii) AASB 16 Leases (effective 1 July 2019)

IFRS16, the new lease accounting standard was released in January 2016. The standard eliminates the classification of leases as either operating leases or finance leases as required by the current lease accounting standard and, instead, introduces a single lessee accounting model. A lessee is required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value, and depreciate lease assets separately from interest on lease liabilities in the income statement.

Management has carried out a preliminary assessment of the impact of the new standard and expects that it will have a material impact on the Group's financial statements and disclosures. This will involve an increase in assets and liabilities, change in the timing in which lease expenses are recognised, a switch in earnings categories from operating expense to depreciation and interest expense and an increase in gearing levels. Further assessment of the impact will be carried as part of the adoption of the new standard.

(iv) AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107 (effective 1 July 2017)

This standard amends AASB 107 *Statement of Cash Flows* to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will apply this amendment from 1 July 2017.

(v) IFRS 2 Classification and measurement of share based payment transactions (effective 1 July 2018)

This standard makes amendments to IFRS 2 *Share based Payments*, clarifying how to account for certain types of share-based payment transactions.

An assessment of the amendments to the standard has been carried out and it is not expected to result in any change to the financial statements and disclosures of the Group.

(c) Foreign currency translation

(i) 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.

(ii) Foreign operations

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

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

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

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

34 Other accounting policies (continued)

(d) 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.

Directors' Declaration

BLUESCOPE STEEL LIMITED
FOR THE YEAR ENDED 30 JUNE 2016

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 1 to 66 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 2016 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 31 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 31.
- (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.



J Bevan
Chairman



P F O'Malley
Managing Director & CEO

Melbourne
22 August 2016

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 2016, 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. The directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

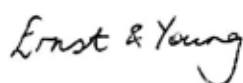
- a. the financial report of BlueScope Steel Limited is in accordance with the *Corporations Act 2001*, including:
 - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards*.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. 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 2016, complies with section 300A of the *Corporations Act 2001*.



Ernst & Young



Rodney Piltz
Partner
Melbourne
22 August 2016



**EXTENDED
FINANCIAL
HISTORY**

10 Year Financial History

A\$M unless marked; years ended 30 June

2007 2008 2009 2010 2011 2012 2013 2014 2015 2016

Income Statement Key Items

Total Revenue ⁽¹⁾	8,913	10,495	10,329	8,624	9,134	8,622	7,290	8,007	8,572	9,203
EBITDA ⁽²⁾ - Reported	1,423	1,420	380	590	(687)	(489)	339	430	640	1,010
- Underlying	1,373	1,615	511	598	254	106	393	590	645	955
EBIT ⁽²⁾ - Reported	1,099	1,063	15	240	(1,043)	(820)	23	102	297	622
- Underlying	1,058	1,267	160	259	(91)	(215)	79	264	302	571
NPAT - Reported	686	596	(66)	126	(1,054)	(1,044)	(107)	(82)	136	354
- Underlying	645	812	44	119	(110)	(225)	14	124	134	293

Segment underlying EBIT

Australian Steel Products	773	1,061	185	109	(270)	(365)	(55)	48	150	361
New Zealand and Pacific Steel Products	90	85	87	73	83	69	34	75	(33)	(54)
Building Products ASEAN, Nth Am & India	66	110	(62)	107	82	51	80	89	98	149
BlueScope Buildings	15	62	28	(9)	(2)	38	16	27	44	49
Hot Rolled Products North America	155	105	(58)	61	72	62	67	105	107	147
Corporate & Group	(42)	(64)	(122)	(68)	(68)	(69)	(63)	(80)	(65)	(81)
Inter-segment	2	(93)	101	(12)	11	(1)	(1)	2	0	(1)
Continuing businesses underlying EBIT	1,058	1,266	160	260	(91)	(215)	78	264	302	571

Financial Performance Measures

Return on invested capital ⁽³⁾	19.6%	18.2%	0.2%	3.8%	-16.2%	-16.0%	1.2%	2.1%	5.8%	10.2%
Return on equity ⁽⁴⁾	20.3%	15.7%	-1.4%	2.3%	-19.6%	-25.5%	-2.3%	-2.0%	3.2%	7.7%

Capital, Earnings Per Share & Dividends

Weighted average number of ordinary shares	(millions)	719.7	744.2	930.6	1,823.3	1,836.5	2,668.7	558.2	558.6	561.2	570.1
Earnings per share (reported) ⁽⁶⁾	¢/s	95.3	80.1	(7.1)	6.9	(57.4)	(39.1)	(19.2)	(14.8)	24.3	62.1
Earnings per share (adjusted) ⁽⁶⁾	¢/s	399.5	335.9	(36.0)	35.0	(291.3)	(234.6)	(19.1)	(14.8)	24.3	62.1
Dividends per share (reported) ⁽⁵⁾	¢/s	47.0	49.0	5.0	5.0	2.0	0.0	0.0	0.0	6.0	6.0
Dividends per share (adjusted) ⁽⁷⁾	¢/s	191.5	199.6	20.4	25.4	10.2	0.0	0.0	0.0	6.0	6.0

Cash Flow Summary

Net cash inflow (outflow) from operating activities	964	1,304	424	377	28	267	161	407	539	952
Net cash inflow (outflow) from investing activities	(541)	(1,510)	(728)	(327)	(367)	(80)	(310)	(438)	(411)	(1,290)
Net cash inflow (outflow) from financing activities	(454)	203	639	(160)	273	(148)	429	(15)	(115)	368
Net increase (decrease) in cash held	(31)	(3)	336	(110)	(65)	39	281	(45)	13	30

Financial Position

Total assets	7,506	8,466	8,865	8,998	7,793	6,734	7,331	7,519	7,878	9,149
Total liabilities	3,641	4,524	3,201	3,242	3,397	2,955	2,871	3,062	3,138	4,163
Net assets	3,865	3,942	5,663	5,756	4,396	3,779	4,460	4,457	4,739	4,985
Net Operating Assets (pre-tax)	5,598	6,025	6,480	6,559	5,399	4,047	4,441	4,664	4,888	5,750
Net Debt	1,502	1,722	756	743	1,068	384	148	262	275	778
Gearing (net debt / net debt plus equity)	28.0%	30.4%	11.8%	11.4%	19.5%	9.2%	3.2%	5.5%	5.5%	13.5%

(1) Excludes the company's 50% share of North Star BlueScope Steel revenue until 30 October 2015. Includes revenue other than sales revenue. Includes revenue from discontinued businesses - that is, total revenue has not been restated for sale or closure of any businesses after that date - for example, FY2011 financials have not been adjusted to reflect divestment of Mett-Span

(2) Includes 50% share of net profit from North Star BlueScope Steel until 30 October 2015, and 100% consolidated profit thereafter.

(3) Return on invested capital is defined as earnings before interest and tax (annualised in case of half year comparison) over average monthly capital employed.

(4) Return on equity is defined as net profit after tax attributable to shareholders over average monthly shareholders' equity.

(5) Per share calculation has not been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009, and the four-for-five share rights issue undertaken in December 2011, the six for one share consolidation undertaken in December 2012, and adjustments required in applying the revised AASB119 Employee Benefits standard in 2013.

(6) In accordance with AASB 133 Earnings per Share, comparative earnings per share calculations have been restated for the bonus element of the one-for-one share rights issue undertaken in May and June 2009, and the four-for-five share rights issue undertaken in December 2011, the six for one share consolidation undertaken in December 2012, and adjustments required in applying the revised AASB119 Employee Benefits standard in 2013.

(7) Dividends per share adjusted for December 2012 share consolidation, and to reflect deemed 'bonus component' of the May 2009 and November 2011 entitlement offers. Underlying results are re-stated for all periods for re-classifications of any businesses to discontinued.



**SHAREHOLDER
INFORMATION
AND CORPORATE
DIRECTORY**

SHAREHOLDER INFORMATION

As at 22 August 2016

Distribution Schedule

Range	No of Holders	Securities	%
1 to 1,000	68,661	20,592,851	3.60
1,001 to 5,000	14,248	29,491,614	5.16
5,001 to 10,000	1,502	10,599,612	1.85
10,001 to 100,000	817	18,960,170	3.33
100,001 and Over	67	491,831,674	86.06
Total	85,295	571,475,921	100.00

Based on a closing share price of \$8.72 on 22 August 2016, the number of shareholders holding less than a marketable parcel of 58 shares is 11,356 and they hold 323,425 shares.

Twenty Largest Registered Shareholders

Rank	Name	Securities	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	137,423,395	24.05%
2	CITICORP NOMINEES PTY LIMITED	92,517,757	16.19%
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	82,595,690	14.45%
4	NATIONAL NOMINEES LIMITED	76,983,360	13.47%
5	BNP PARIBAS NOMS PTY LTD <DRP>	26,651,941	4.66%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	16,365,339	2.86%
7	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	12,000,557	2.10%
8	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,267,351	0.75%
9	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	4,181,568	0.73%
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED <NT-COMNWLTH SUPER CORP A/C>	3,671,904	0.64%
11	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <BKCUST A/C>	3,431,698	0.60%
12	NATIONAL NOMINEES LIMITED <N A/C>	3,209,232	0.56%
13	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING COLLATERAL >	3,135,000	0.55%
14	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	2,473,788	0.43%
15	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,870,271	0.33%
16	NATIONAL NOMINEES LIMITED <DB A/C>	1,694,219	0.30%
17	AMP LIFE LIMITED	1,593,940	0.28%
18	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PIIC A/C>	1,575,310	0.28%
19	BOND STREET CUSTODIANS LIMITED <MACQ HIGH CONV FUND A/C>	1,210,496	0.21%
20	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PISELECT>	1,153,053	0.20%
	TOTAL	478,005,869	83.64%
	Balance of Register	93,470,052	16.36%
	Grand TOTAL	571,475,921	100.00%

Substantial Shareholders

As at 22 August 2016, BlueScope has been notified of the following substantial shareholdings:

Name	Number of securities held
Dimensional Entities	28,290,408
Ausbil Investment Management Limited	41,566,202

Voting Rights for Ordinary Shares

The Constitution provides for votes to be cast:

- (a) on a show of hands, one vote for each shareholder; and
- (b) on a poll, one vote for each fully paid share.

CORPORATE DIRECTORY

Directors	J A Bevan <i>Chairman</i> P F O'Malley <i>Managing Director and Chief Executive Officer</i> D B Grollo K A Dean P Bingham-Hall E G W Crouch AM L H Jones R P Dee-Bradbury
Secretary	M G Barron
Executive Leadership Team	P F O'Malley <i>Managing Director and Chief Executive Officer</i> T J Archibald <i>Chief Financial Officer, BlueScope Australia and New Zealand and BlueScope Coated Products</i> M G Barron <i>Chief Legal Officer and Company Secretary</i> S Dayal <i>Chief Executive, NS BlueScope</i> S R Elias <i>Chief Financial Officer</i> P Finan <i>Chief Executive, BlueScope Buildings</i> A Highnam <i>Executive General Manager, People and Performance</i> M R Vassella <i>Chief Executive, BlueScope Australia and New Zealand</i>
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, 10 November 2016
Corporate Governance Statement	An overview of BlueScope Steel's corporate governance structures is presented in the 2016 Corporate Governance Statement which is available online at: http://www.bluescope.com/about-us/governance
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



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ABN 16 000 011 058

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