REWARDING SHAREHOLDERS AS WE GROW

Graham Kraehe AO

CHAIRMAN

BUILDING OUR REPUTATION, AND OUR NAME

Since our public listing on 15 July 2002, BlueScope Steel has become known as a company that creates shareholder value, and a company that rewards its shareholders. In the 2003/04 financial year we continued building this reputation.

We also changed our name from BHP Steel to BlueScope Steel, and we are delighted at how seamlessly this transition was achieved. We are now identified by a unique name that befits our strong reputation, and our new corporate brand is widely recognised.

HIGH SHAREHOLDER RETURNS

The ability of BlueScope Steel to reward our shareholders is an indication of our strength. Our Total Shareholder Return (growth in share price plus dividends) from 15 July 2002 to 30 June 2004 ranks 'BSL' as one of the best performing stocks on the ASX.

The dividends we have declared represent an attractive yield. Total dividends were 40 cents per share (fully franked), an increase of 11 cents over last year. Our return on invested capital was a strong 18.5 per cent.

We have also had great success with our Employee Share Ownership initiatives. Over 99 per cent of our employees have become BlueScope Steel shareholders. In March 2004, we completed a share buyback program which resulted in some 60 million shares being re-purchased, at an average price of $4.70 per share. The effect of this buyback is that earnings per share this year are 4.2 cents higher than they otherwise would have been.

The Company's Board and management are focused on creating shareholder value. The strong performance over the two years since public listing has delivered excellent returns for shareholders.

STRONG PERFORMANCE

Over the past year, the major measures of our Company's performance continued to climb. NPAT increased by 29 per cent to $584 million and earnings per share by 36 per cent to 77.8 cents.

In addition, the strong net cash flow generated by BlueScope Steel – $315 million in FY04 – has allowed us to fund our growth without placing undue strain on our balance sheet.

At 30 June 2004, total debt outstanding was $593 million, a gearing ratio on a net debt/net debt plus equity basis of 12.9 per cent. BlueScope Steel has one of the strongest balance sheets in the global steel industry.

Tragically, on 29 June 2004, a fatality occurred in our business, at our Brisbane Logistics Terminal. This terrible occurrence marred an otherwise impressive safety performance.

GROWTH – OUR STRATEGY IN ACTION

Our strategy is about increasing our market presence as a steel solutions company. In line with this strategy, BlueScope Steel has embarked on a significant growth program. Our product range is growing, new offerings are available for our customers, and we have made strategic acquisitions.

New manufacturing facilities are also being constructed, and existing plants upgraded. These initiatives are summarised in this Report. We are now well advanced in construction of our major new metallic coating and painting facilities in China, at Suzhou west of Shanghai, and Vietnam, near Ho Chi Minh City, while a number of other new plant expansions are underway.

In total, the Board has, over the course of the past year, made commitments to new capital projects with a planned value of over A$1 billion. This includes a major landmark in the evolution of our Company – the acquisition of Butler Manufacturing for US$206 million (net of cash acquired). Acquiring this company, which was formerly listed on the New York Stock Exchange, will increase our revenue by over A$1 billion on a full year basis.

The Butler acquisition brings exciting new possibilities, intellectual property and capabilities to BlueScope Steel. It also establishes our Company as the leading pre-engineered building business in both North America and China.

BEST PRACTICE GOVERNANCE

The corporate governance arrangements in place at BlueScope Steel comply with the ASX Principles of Good Corporate Governance and Best Practice Recommendations. These arrangements are summarised in this Report. Ours is an effective Board, a talented and experienced team with the vision to help shape our future. I thank my fellow Directors for the leadership they have provided. I would also like to acknowledge the contribution made by John Crabb, who recently retired as a Director.

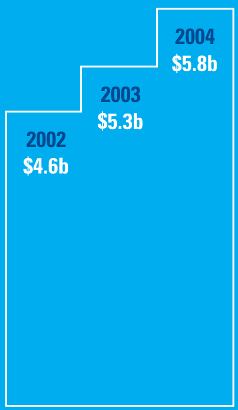
This financial year has seen BlueScope Steel achieve growth and greater financial strength, while simultaneously rewarding our shareholders. Our success has been made possible by adherence to the principles of 'Our Bond', BlueScope Steel's values statement. Each of our 16,000 employees, under the leadership of Managing Director and CEO Kirby Adams, can feel very proud of their achievements since our public listing two years ago.

So, on behalf of the Board of Directors and all shareholders, I congratulate and thank them for their efforts and their skill.

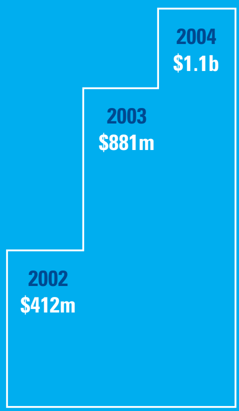
GRAHAM KRAEHE, AO CHAIRMAN

We are committed to safe operations, providing inspired and competitive solutions for our customers and strong financial performance. Our focus is on total shareholder return.

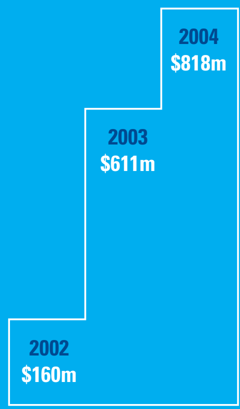
Kirby Adams MANAGING DIRECTOR AND CEO



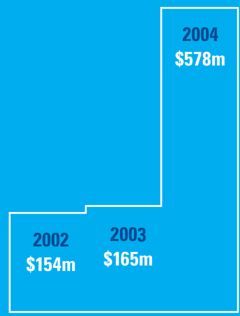
TOTAL REVENUE



EBITDA



EBIT



CAPITAL EXPENDITURE AND INVESTMENTS

It is two years since BlueScope Steel's public listing, and in that time we have matured, grown and become more agile. During 2002/03 we worked hard to beat our prospectus forecast, further improve our performance and establish our credibility. As a consequence, we gained your permission to grow.

The 2003/04 financial year has seen us enter this growth phase. We have further implemented our downstream value added strategy, while continuing to reward shareholders. So with another outstanding 12 months behind us, I am pleased to report some of the highlights of your Company – BlueScope Steel.

A SECOND CONSECUTIVE OUTSTANDING YEAR

Once again, our financial performance has been strong. Revenue for 2003/04 was $5.8 billion, up from $5.3 billion in 2002/03, and $4.6 billion in 2001/02. This indicates strong market demand, but more importantly, it demonstrates that we have positioned ourselves to capitalise on that demand. We continue to develop long-term relationships of integrity with our customers around the world.

Net profit after tax increased 29 per cent, or $132 million, to $584 million. This is a measure of the skill with which people across all our businesses have managed production volumes, product mix, pricing and unit costs. Our earnings per share of 77.8 cents was up 36 per cent from 57.1 cents in 2002/03, and our after tax return on invested capital was a healthy 18.5 per cent. These two outcomes demonstrate how we have maintained shareholder returns as a priority.

Our Board of Directors generously extended $27 million of share offers to our employees in 2003 and 2004. As a result, more than 99 per cent of our employees who have taken advantage of our Employee Share Ownership Plans are now sharing in the capital appreciation and dividends that are flowing to all shareholders.

SAFETY – THE ZERO HARM IMPERATIVE.

During the financial year we have experienced many safety successes, but one tragedy overshadows them all. On 29 June 2004, a contractor at our Brisbane Logistics Terminal in Queensland, Australia, was killed in a forklift accident.

If we cannot operate our business safely, then all our achievements are hollow. We must drive for even better safety and must persevere towards our imperative of Zero Harm.

It is my great hope that we shall never have another fatality. To achieve this goal, we have implemented a global program at every operating site to reduce and, where possible, eliminate the interaction of people and forklifts.

Our safety performance has otherwise continued to improve. Our lost time injury frequency rate is at a record low of 1.3 hours lost per million hours worked and our medical treatment injury frequency rate has been similarly reduced, as shown on page 23.

A YEAR AS CHAIRMAN OF THE WORLD'S PEAK STEEL BODY.

This financial year coincided with Kirby Adams' year as Chairman of the International Iron and Steel Institute (IISI).

The Brussels-based IISI serves as a world forum for the international steel industry and is one of the largest and most dynamic industry associations in the world.

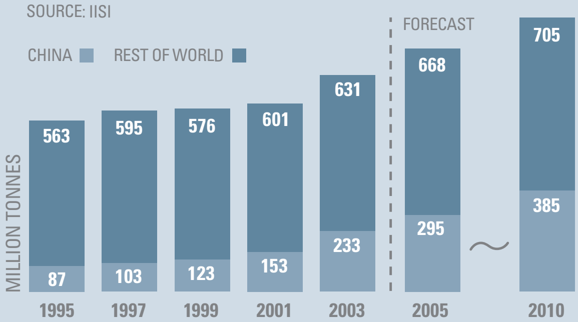
For the global steel industry, this is a time of great change and progress. Enormous growth in consumption in China has driven massive increases in world steel demand over the past two years. The forecasts of the IISI indicate that this growth is likely to continue.

In 2003, China's demand for steel was 233 million tonnes– 27 per cent of global steel demand. In 2010, the IISI expects China's demand to reach 385 million tonnes, representing 35 per cent of global demand.

The IISI aims to consolidate steel's position as a major foundation of a sustainable world. To achieve this, a number of initiatives are underway within the Institute. These cover: steel business information, benchmarking of best practices, developing new markets for steel, addressing sustainability and communicating a positive image of steel.

WORLD APPARENT CONSUMPTION OF FINISHED STEEL

SOURCE: IISI



EXCELLENCE IN STEELMAKING

BlueScope Steel's strong financial results were achievable because of our solid foundation of low cost, high quality steelmaking. Our steelmaking operations were a major contributor to profitability over the last financial year.

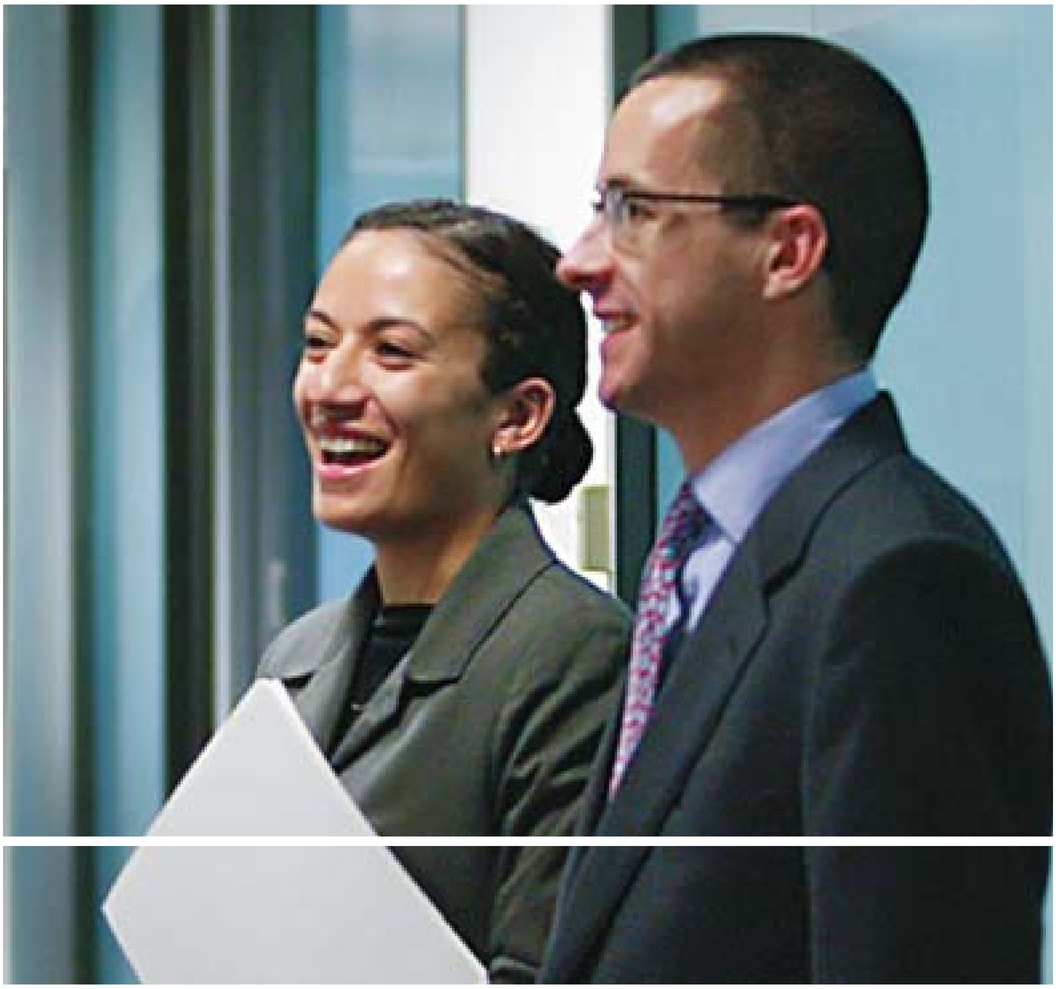
Port Kembla Steelworks in Australia, New Zealand Steel at Glenbrook and North Star BlueScope Steel in Ohio, USA are among the world's finest steelmaking facilities. Each utilises a completely different technique to produce steel – one from iron ore and coke, one from ironsands, and one from scrap.

This financial year, Port Kembla Steelworks set a new production record of 5.145 million tonnes. North Star BlueScope Steel returned a strong profit and excellent operational performance, and for the third year in a row it was rated the number one flat rolled steel supplier in North America in the prestigious Jacobsen survey. New Zealand Steel completed a strong turnaround.

Our facilities have maintained their position at the low end of the international cost curve, helping ensure that our foundations remain strong and our comparative costs low.

GROWTH – ACCELERATING OUR PROGRAM

The past financial year has seen the Company accelerate its growth program. In keeping with our strategy of developing our downstream, value-added businesses, much of our investment has been in these areas.



A RENEWED SELF-BELIEF AND CAN-DO SPIRIT.

COMMITTED // Employees like Chelsea Patten and Matt Coghlan at head office in Melbourne are contributing to our success.+

In this financial year, we announced commitments to growth projects totalling over A$1 billion. These projects are in China, Vietnam, Thailand, Indonesia, North America, Australia and New Zealand. Of course, this figure includes the US$206 million acquisition of the US-based Butler Manufacturing – an event which we consider company defining, and which brings 4,400 new employees into our Company. We have put a lot of energy into making their transition to BlueScope Steel a great one.

Our steel coating, painting and rollforming businesses have also shown solid growth, reflecting our overall Company strategy. In Australia, innovative and timely products are adding even more value to our steel. For example, our BlueScope Water business has launched the Waterpoint® range of rainwater harvesting products, as well as the HydroRib® range, which supports stormwater management and irrigation.

In Asia, we are continuing to develop new brands in response to local market demand, including the Lysaght SMARTRUSS® system of steel roof trusses.

So this has been a year in which our Company has grown in innovation, capability and geographical presence. This growth is an expression of our strategy, and a response to global economic conditions. Stories about these exciting products follow in this Report.

A GLOBAL COMPANY

The recent acquisition of Butler Manufacturing substantially increases our presence in China, and dramatically raises our profile in downstream businesses in North America. It also emphasises the fact that BlueScope Steel has become a more global company, employing more than 16,000 people in 23 countries.

In Asia, for example, BlueScope Steel employees will soon number more than 3,000. Our extensive BlueScope Lysaght rollforming network is unmatched by any other company, with over 40 sites across 13 countries. We are the largest Australian manufacturing investor in China, Thailand, Indonesia, Malaysia and Vietnam.

In China, the Company is now the clear leader in pre-engineered steel buildings and premium steel building materials – both are high value-added applications of steel.

Our North American businesses have great potential. We have already taken significant steps to improve the performance of the Buildings Group, while the Vistawall business shows plenty of promise for future growth.

To conclude, this has been a challenging and rewarding financial year. BlueScope Steel is in a new growth phase and we are executing that growth in a controlled manner. There is a renewed self-belief and can-do spirit evident among our people. We are committed to safe operations, providing inspired and competitive solutions for our customers and strong financial performance. Our focus is on total shareholder return.

K Adams

KIRBY ADAMS, MANAGING DIRECTOR AND CEO

+ DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2004

The Directors of BlueScope Steel Limited ("BlueScope Steel") present their report on the consolidated entity ("BlueScope Steel Group") consisting of BlueScope Steel Limited and its controlled entities for the financial year ended 30 June 2004.

PRINCIPAL ACTIVITIES

During the year the principal continuing activities of the BlueScope Steel Group, based principally in Australia, New Zealand, China, Asia and North America, were:

a. Manufacture and distribution of flat steel products;

b. Manufacture and distribution of metallic coated and painted steel products; and

c. Manufacture and distribution of steel building products.

In addition, the BlueScope Steel Group extended its principal activities to include:

d. Design and manufacture of pre-engineered steel buildings and building solutions through the acquisition of Butler Manufacturing Company.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

The following significant events occurred during the year:

a. On 17 November 2003, following shareholder approval, the Company changed its name from BHP Steel Limited to BlueScope Steel Limited.

b. On 27 April 2004, the BlueScope Steel Group acquired Butler Manufacturing Company, a steel pre-engineered buildings and building components business with operations in North America and China. The acquisition cost $277 million (net of cash acquired) and is consistent with BlueScope Steel's long-term strategy to grow downstream branded products and building solutions.

c. The BlueScope Steel Group is progressing a range of growth initiatives aimed at expanding the manufacture and distribution of metallic coating and painted steel products. The following projects are progressing to schedule:

- Vietnam: the construction of a new metallic coating (capacity: 125,000 tonnes) and painting (capacity: 50,000 tonnes per annum) facility. The facility will cost approximately $160 million and is expected to commence operation in early calendar year 2006;
- Thailand: installing a second metallic coating line (capacity: 200,000 tonnes per annum) at the Map Ta Phut plant. The facility will cost approximately $80 million and is expected to commence operations mid calendar year 2005; and
- China: a new metallic coating (capacity: 250,000 tonnes per annum) and painting (capacity: 150,000 tonnes per annum) facility. The facility will cost approximately $280 million and is expected to commence operation in mid calendar year 2006.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The following matters or circumstances have arisen since 30 June 2004 that have significantly affected, or may significantly affect, the BlueScope Steel Group operations, results or state of affairs in future financial years.

a. On 1 July 2004 BlueScope Steel Group completed a debut debt raising in the US private placement market totalling US$300 million with terms of seven years (US$100 million) and 10 years (US$200 million).

b. On 28 July 2004, the Board approved an investment of approximately $100 million to increase the nominal capacity of the Hot Strip Mill at Port Kembla from 2.4 to 2.8 million tonnes per annum. The upgrade is expected to be completed in the first quarter of financial year 2006/2007.

DIVIDENDS

BlueScope Steel paid a fully franked interim dividend of 12 cents per share in March 2004 to its shareholders. On 19 August 2004, it was announced that the Directors have declared a final fully franked dividend of 18 cents per share, which is to be paid on 18 October 2004 (record date 5 October 2004) to shareholders. The Directors have also declared a fully franked special dividend of 10 cents also payable on 18 October 2004.

REVIEW AND RESULTS OF OPERATIONS

Sales Revenue	SEGMENT REVENUES 2003 $M	SEGMENT REVENUES 2004 $M	SEGMENT RESULTS 2003 $M	SEGMENT RESULTS 2004 $M
Hot Rolled Products	2,625.5	2,731.5	471.2	565.1
New Zealand Steel	548.6	560.2	44.4	58.5
Coated and Building Products Australia	2,728.3	2,883.5	118.5	196.7
Coated and Building Products Asia	568.6	689.1	84.0	100.2
Coated and Building Products North America	–	191.5	–	(8.8)
Corporate and Group	715.9	669.0	(101.8)	(61.7)
Intersegment eliminations	(1,914.8)	(1,986.7)	(5.2)	(32.1)
Other Revenue	30.0	31.5		
Operating Revenue/EBIT	5,302.1	5,769.6	611.1	817.9
Net unallocated expenses			(17.5)	(14.5)
Profit from ordinary activities before income tax			593.6	803.4
Income tax expense			(120.9)	(201.6)
Profit from ordinary activities after income tax expense			472.7	601.8
Net profit attributable to outside equity interest			(21.0)	(17.7)
Net profit attributable to members of BlueScope Steel			451.7	584.1
Earning per Share (cents)			57.1	77.8

The BlueScope Steel Group has achieved strong financial results for the second consecutive year, delivering a net profit of $584.1 million and earnings per share of 77.8 cents.

The company's revenue increased $467.5 million to $5,769.6 million, primarily due to additional despatch volumes and product mix, and improved price being partly offset by a reduction in the A$ denominated value of sales, due to the strengthening of the Australian dollar.

Net profit after tax increased $132.4 million to $584.1 million. This improvement was due primarily to higher international and domestic steel prices, and higher product despatches. These were partly offset by higher raw material and operating costs, and the net impact of a higher AUD/USD on US$ denominated revenues and costs.

Every reporting segment contributed to BlueScope Steel Group's improved performance. Earnings contributions of the Hot Rolled Products segment increased as a result of stronger hot rolled coil and slab pricing and product despatching. However, higher hot rolled coil and slab feed costs in the second half of the year compressed margins in our downstream Australian Coated and Building segment which otherwise delivered a very positive year on year result. There was a marked improvement in the New Zealand Steel business with the New Zealand domestic market remaining strong. In Asia, BlueScope Steel continues to grow with sales revenue from this segment increasing 21% to $689 million and EBIT of $100 million for the first time.

Butler Manufacturing Company, the world's premier manufacturer of pre-engineered buildings, was acquired in April 2004 bringing a new suite of building and construction products to our Company in China and North America.

The Company commenced a number of growth initiatives, principally a new China coating and painting facility, new Vietnam coating and painting facility and a second Thailand coating line.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During financial year 2004/05, the Company will continue to work on improving those factors within its control.

The Company's domestic and export markets continue to be strong. Steel slab and hot rolled coil demand continues to be high, with a tightening of markets globally. With increasing demand for steel worldwide, the Company expects steel prices will remain attractive through the first half of financial year 2004/05. China continues to play a pivotal role in global steel industry supply and demand although the direct impact on our sales is currently less that 5%. The Company remains optimistic about the economic prospects in China and Asia generally.

The Company will experience significantly higher raw material costs for iron ore, coking coal, energy and coating metals of aluminium, zinc and tin during financial year 2004/05, together with higher rates on marine freight.

The Company is increasing its research and technology spending by 30% to $40 million in financial year 2004/05 to further advance its competitive edge and increasing its spending on repairs and maintenance by a further $40 million to ensure its increased production capacity and asset lives are protected and extended.

The continued focus on monetary policy as well as elections in both the US and Australia will also add to uncertainty for these economies and exchange rates.

Overall, the Company is experiencing a strong start to financial year 2004/05, however, it is too early to be more definitive regarding the Company's full year results.

INFORMATION ON DIRECTORS

The following were Directors for the year: Graham John Kraehe, AO (Chairman), Ronald John McNeilly (Deputy Chairman), Kirby Clarke Adams (Managing Director and Chief Executive Officer), John Crabb, Diane Jennifer Grady, Harry Kevin (Kevin) McCann, Paul John Rizzo and Tan Yam Pin.

Particulars of the skills, experience, expertise and special responsibilities of the Directors are set out on pages 48-49 and form part of this report. Mr Crabb resigned as a Director of BlueScope Steel on 28 July 2004.

INFORMATION ON COMPANY SECRETARIES

Michael Barron, Chief Legal Officer and Company Secretary, BEc, LLB, ACIS

Michael Barron joined BlueScope Steel in 2002. He is responsible for the legal affairs of BlueScope Steel and for Company Secretarial matters. Prior to joining BlueScope Steel, Mr Barron held the position of group general counsel of Orica Limited where he was employed for 16 years, holding a variety of legal positions in Australia and overseas. His responsibilities at Orica Limited included membership of the executive team and management of the company secretarial, corporate affairs and internal audit functions.

Lisa Nicholson, BSc, LLB, Grad Dip CSP

Lisa Nicholson joined BlueScope Steel in May 2004. She is responsible for Company Secretarial matters for BlueScope Steel and its subsidiaries. Prior to joining BlueScope Steel Limited, Ms Nicholson worked in the company secretariat department of Coles Myer Ltd for 3 years with responsibility for compliance reporting, director-related parties and company policies. She has also worked as a corporate lawyer for companies such as Lend Lease Employer Systems Ltd and DaimlerChrysler Australia/Pacific Pty Ltd.

Laurence Mandie, BSc (Hons), LLB (Hons)

Laurence Mandie joined BlueScope Steel in 2002. He is responsible for the legal affairs of the Market & Logistics Solutions businesses, and corporate functions such as finance and IT, as well as being a company secretary for the group. Mr Mandie joined BlueScope Steel from Freehills, a national law firm, where he had worked in the Mergers & Acquisitions group and as Acting General Counsel and Company Secretary of Pasminco Limited.

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

Director	Ordinary shares	Share rights
G J Kraehe	104,190	0
K C Adams*	902,212	1,448,800
J Crabb	41,572	0
D J Grady	30,432	0
H K McCann	20,131	0
R J McNeilly	512,239	0
P Rizzo	22,657	0
Y P Tan	131	0

* Kirby Adams' current holding of BlueScope Steel Limited Ordinary shares has no connection with any BlueScope Steel Limited executive remuneration program and such shares have been acquired with his own funds.

MEETINGS OF DIRECTORS

The attendance of the current Directors at Board and Board Committee meetings from 1 July 2003 to 30 June 2004 is as follows:

	BOARD MEETINGS		COMMITTEE MEETINGS							
			Audit and Risk		Remuneration and Organisation Committee		Health, Safety & Environment		Nomination	
	A	B	A	B	A	B	A	B	A	B
G J Kraehe	12	12	*	*	6	6	5	5	2	2
K C Adams	12	12	*	*	*	*	5	5	*	*
J Crabb	12	12	*	*	*	*	5	5	2	2
D J Grady	12	12	*	*	6	6	5	5	2	2
H K McCann	12	12	7	6	*	*	5	5	2	2
R J McNeilly	12	12	7	7	6	6	5	5	2	2
P Rizzo	12	12	7	7	*	*	5	5	2	2
Y P Tan	12	12	*	*	1(1)	1	5	5	2	2

(1) Mr Tan was appointed to the Remuneration and Organisation Committee at the Board meeting on 17 May 2004, which was prior to the Committee meeting on the same day.
All Directors have held office for the entire 2003/04 financial year. Mr Crabb resigned as a director of BlueScope Steel on 28 July 2004.
A = number of meetings held during the period 1 July 2003 to 30 June 2004 during the time the Director was a member of the Board or the Committee as the case may be.
B = number of meetings attended by the director from 1 July 2003 to 30 June 2004 while the director was a member of the Board or the Committee as the case may be.
* = not a member of the relevant Committee, however Directors who are not members of the relevant Committee often attend meetings.

The Non-Executive Directors met once during the 2003/04 financial year without the presence of management.

NON-EXECUTIVE DIRECTORS' REMUNERATION

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Board has determined to review Non-Executive Directors' fees and payments annually. The Board has sought the advice of an expert external remuneration consultant to ensure Non-Executive Directors' fees and payments reflect their duties and are in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors, based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration. Non-Executive Directors do not receive share rights. Non-Executive Directors are expected to accumulate over time a shareholding in the Company at least equivalent in value to their annual remuneration. Non-Executive Directors are required to salary sacrifice a minimum of 10% of their remuneration each year to purchase BlueScope Steel shares (instead of cash fees), which are acquired on-market. Shareholders approved this arrangement at the Annual General Meeting in November 2003, and Non-Executive Directors commenced participation in this arrangement in January 2004.

The current remuneration of Non-Executive Directors was last reviewed with effect from 1 January 2004. The Chairman and Deputy Chairman's remuneration is inclusive of Board Committee fees. Other Non-Executive Directors who chair a Board Committee receive additional yearly fees and members of the Audit and Risk Committee also receive an additional yearly fee. Mr Tan (a resident of Singapore) receives a travel and representation allowance recognising his involvement in representing the Board in activities with BlueScope Steel's Asian business and the significant travel requirement imposed in respect of attendance at meetings.

Non-Executive Directors' fees are determined within an aggregate Directors' fee pool limit, which is periodically recommended for approval by shareholders. The maximum fee pool limit currently stands at $1,750,000 per annum (inclusive of superannuation).

Compulsory superannuation contributions on behalf of each Director are paid in addition to the fees. Non-Executive Directors do not receive any other retirement benefits.

Details of the remuneration for the year ended 30 June 2004 for each Non-Executive Director of BlueScope Steel is set out in the following table.

Name	Base Fee $	Committee Fee Allowance $	Non-monetary benefits $	Superannuation $	Total $
GJ Kraehe	331,712	–	7,227	19,070	358,009
RJ McNeilly	167,365	–	–	12,286	179,651
J Crabb	116,058	12,827	–	10,832	139,717
DJ Grady	116,058	15,269	–	10,832	142,159
HK McCann	116,058	7,327	–	10,347	133,732
PJ Rizzo	127,742	20,154	–	–	147,896
YP Tan	121,827	9,769	–	10,842	142,438

SENIOR EXECUTIVES' REMUNERATION

BlueScope Steel's remuneration policy is directed at underpinning a high performance organisation. The focus of its remuneration strategy is on performance and accountability. Executive remuneration packages are designed to support the delivery of outstanding returns for shareholders by aligning performance-related reward with the value delivered to shareholders.

To compete, BlueScope Steel must be able to attract and retain the very best talent that is available within the global steel industry, while maintaining shareholder value. Our remuneration strategy enables BlueScope Steel to:

- Compete for executive talent by providing competitive remuneration; and
- Maintain an appropriate 'at risk mix' in total remuneration to ensure BlueScope Steel delivers superior performance and grows shareholder value.

The Company complies with the legal requirements applicable to shareholder approval for participation in equity-based executive remuneration plans. Shareholder approval is sought for any shares or share rights to be granted to its Executive Director.

The reward structure combines base salary, short-term and long-term incentive plans and post-retirement benefit arrangements. The cost and value of components of the remuneration package are considered as a whole and are designed to ensure an appropriate balance between fixed and variable performance-related components, linked to short-term and long-term objectives and to reflect market competitiveness. Details of the policy applied in each component are outlined below.

BASE SALARY

Base salaries are quantified by reference to the scope and nature of an individual's role, performance, experience and market data. Base salary drives the ultimate delivery of total remuneration including both short-term and long-term incentive targets.

Market data is obtained from external sources to determine the market value of positions.

INCENTIVE PLANS

The Short-Term Incentive Plan is an annual 'at risk' cash bonus scheme. Goals are established for each participant under the following categories:

Shareholder Value Delivery – financial performance measures are used including Net Profit After Tax, Cash Flow, and Earnings Before Interest and Tax.

Zero Harm – safety and environmental performance measures, including Lost Time Injury Frequency Rates, Medical Treatment Injury Frequency Rates and environmental measures.

Business Excellence – performance measures for the financial year ending 30 June 2004 were focused on delivery performance, days of inventory and the cost of poor quality product.

Strategy – implementation of specific initiatives.

Executives have a weighting of 60% of their bonus on the Shareholder Value measures.

For executives, target bonus levels range from 20% of base salary to 100% of base salary and are set to reflect market competitiveness. For outstanding results, participants may receive up to 150% of their target bonus amount.

The Long-Term Incentive Plan is an award of share rights to eligible executives. Eligibility, performance hurdles and quantity of share rights awarded is at the discretion of the Board. This decision is made annually taking into account the annual business performance results. No financial assistance is provided to executives in respect of any tax liability or costs arising from the exercising of share rights.

Executives are expected to accumulate over time a shareholding in the Company. For senior executives this shareholding is expected to be at least equivalent in value to their annual base salary.

POST-RETIREMENT BENEFITS

BlueScope Steel operates superannuation funds in Australia, New Zealand and North America for its employees. In these locations there are a combination of defined benefit and accumulation type plans.

Contributions are also made to other international superannuation plans for employees outside of Australia, New Zealand and North America.

OTHER BENEFITS

Additionally, executives are eligible to participate in an annual health assessment program designed to ensure that executives have their health status reviewed on a regular basis.

DETAILS OF SENIOR EXECUTIVES' (INCLUDING EXECUTIVE DIRECTOR'S) REMUNERATION

The following information represents the annual salary for the year ended 30 June 2004 for the top six executives and the Managing Director and CEO.

	PRIMARY				POST-EMPLOYMENT	EQUITY	
Name	**Cash Salary and Fees** $	**At Risk Cash Bonus[2]** $	**Non-monetary benefits** $	**Sub total** $	**Superannuation** $	**Share Rights[1]** $	**Total** $
EXECUTIVE DIRECTOR							
KC Adams Managing Director and CEO[3]	1,391,346	1,990,000	7,227	3,388,573	204,528	815,218	4,408,319
EXECUTIVES							
LE Hockridge President Industrial Markets	612,500	560,000	17,325	1,189,825	90,038	320,806	1,600,669
KJ Fagg President Market and Logistics Solutions	525,385	370,000	1,554	896,939	73,608	282,882	1,253,429
BG Kruger Chief Financial Officer	494,338	430,000	7,794	932,132	71,578	247,623	1,251,333
NH Cornish President Australian Building and Manufacturing Markets	456,153	330,000	37,535	823,688	66,546	242,733	1,132,967
M Courtnall President Asian Building and Manufacturing Markets	405,095	320,000	13,040	738,135	59,040	199,569	996,744
IR Cummin Executive Vice President Human Resources (from 1/9/03)	322,500	320,000	–	642,500	45,000	71,256	758,756

1. Valuation of equity remuneration in the form of share rights granted, excludes the effect of tenure risk. For each award, total fair value is pro-rated over the award period, from grant date to expected vesting date.
2. Refer to page 53 for details of the at risk cash bonus (Short-Term Incentive Plan). Amounts reflect the estimated annual cash bonus for the 12 months to 30 June 2004 based on actual performance. Actual annual cash bonus amounts will be paid in September 2004.
3. Mr Adams has elected to take his short term incentive payment in the form of shares in the Company, under the Share Purchase Plan approved by Shareholders on 12 November 2003.

MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – OUTLINE OF EMPLOYMENT CONTRACT

Outlined below are the key terms and conditions of employment contained within the employment contract for Kirby Adams, the Managing Director and Chief Executive Officer.

Kirby Adams' employment contract, commenced on 1 July 2002. He receives an annual base pay of $1,350,000. This amount is reviewed on an annual basis in accordance with the Board's senior executive salary review policy. In addition, Mr Adams is eligible to participate in the Short-Term Incentive Plan and, subject to shareholder approval, Long-Term Incentive Plan awards.

Mr Adams may terminate the contract by giving three months' written notice, upon which he is entitled to his annual base pay, which has been accrued but not paid up to the date of termination, plus any vested awards under the Long-Term Incentive Plan, and any other payments which he is eligible for under the Short-Term Incentive Plan. The company may terminate the contract by giving one months' written notice (or a payment in lieu of notice based on Mr Adams' annual base pay) and a gross termination payment equal to 24 months of Mr Adams' annual base pay, plus any applicable Short-Term Incentive Plan and Long-Term Incentive Plan awards, and reimbursement for the reasonable costs of relocation from Australia to the United States of America. The company may also terminate the contract on 30 days' notice in the event of serious misconduct or a serious breach of the contract. In this event, Mr Adams is only entitled to his annual base pay which has accrued but not been paid up to the date of termination plus any vested Long-Term Incentive Plan awards.

SHARE RIGHTS GRANTED TO EXECUTIVE DIRECTORS AND THE MOST HIGHLY REMUNERATED OFFICERS

The Company has implemented performance-based executive plans incorporating the granting of share rights.

The following share rights have been granted.

A. JULY 2002 AWARD

Nominated executives were awarded share rights in BlueScope Steel Limited in lieu of the awards that would otherwise have been made under BHP Billiton Limited's Long Term Incentive Plans in October 2001. For this award a once-only increase equivalent to an additional 50% of the value of the award was made. This once-only increase was to recognise that, but for the Steel separation, the nominated employees would have been eligible for an award under the BHP Billiton Limited's Long Term Incentive Plans in October 2001, and the first performance period under the BlueScope Steel Long Term Incentive Plan will be shorter than the three year period usually adopted under BHP Billiton Limited's plans. A Share Right is a right to acquire an ordinary share in BlueScope Steel Limited at a later date, subject to the satisfaction of certain performance criteria.

Performance Period

Under the July Award there are two potential performance periods. The first performance period commenced on 15 July 2002 and ends on 30 September 2004. The Board will determine whether there will be a second performance period. If such a determination is made, the second performance period will commence on 15 July 2002 and end on 30 September 2005.

Vesting

The proportion of share rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ('TSR'), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of share rights that become exercisable on meeting the performance hurdle is as follows:

TSR PERFORMANCE HURDLE	FIRST PERFORMANCE PERIOD % OF SHARE RIGHTS THAT VEST	SECOND PERFORMANCE PERIOD % OF SHARE RIGHTS THAT VEST
80th – 100th percentile	100%	50%
70th – < 80th percentile	90%	50%
60th – < 70th percentile	70%	50%
50th – < 60th percentile	50%	50%
< 50th percentile	50% of share rights awarded will lapse and 50% will be carried over to a second performance period at the Board's discretion	None – all unvested share rights will lapse immediately.

Exercise Price

The share rights awarded in July 2002 comprised both nil priced and market priced share rights. The exercise price established for the Market Priced share rights was based on the volume weighted average price of the BlueScope Steel Limited shares sold under the sale facility at the time of the demerger from BHP Billiton and BlueScope Steel shares on the Australian Stock Exchange during the first five trading days. Selected executives received share rights with a nil exercise price.

DETAILS OF THE JULY 2002 AWARD

	Market Price Share Rights	Nil Priced Share Rights
Grant Date	25 July 2002	25 July 2002
Exercise Date	From 30 September 2004	From 30 September 2004
Latest Expiry Date	25 July 2007	31 March 2006
Share rights Granted	14,335,000	2,800,300
Number of Participants at Grant Date	105	12
Number of Current Participants	99	11
Exercise Price	$2.85	nil
Fair Value Estimate at Grant Date[1]	$5,734,000	$3,276,351
Share rights Lapsed since Grant Date	976,170	194,900

1 External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of $4.2 million for the 2004 (2003: $3.8 million) financial year. Note that no adjustments to these amounts have been made to reflect actual forfeiture of shares.

B. SEPTEMBER 2002 PLAN

Executives were awarded share rights over ordinary shares in BlueScope Steel Limited. These share rights are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period

The performance period commenced on 1 October 2002 and ends on 30 September 2005.

Vesting

The proportion of share rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ('TSR'), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of share rights that become exercisable on meeting the performance hurdle is as follows:

TSR PERFORMANCE HURDLE	% OF SHARE RIGHTS THAT VEST
80th – 100th percentile	100%
70th – < 80th percentile	90%
60th – < 70th percentile	70%
51st – < 60th percentile	50%
< 51st percentile	None – all unvested share rights will lapse immediately

Exercise Price

The exercise price for all share rights in the September award is nil.

Restriction on Sale of Shares

The executive cannot sell the shares acquired under this award prior to 30 September 2007. Furthermore, any executive who resigns during the two-year holding period forfeits any shares acquired under this award.

DETAILS OF THE SEPTEMBER 2002 AWARD

	Nil Priced Share Rights
Grant Date	30 September 2002
Exercise Date	From 1 October 2005
Expiry Date	30 September 2006
Share rights Granted	4,645,100
Number of Participants at Grant Date	118
Number of Current Participants	116
Exercise Price	Nil
Fair Value Estimate at Grant Date[1]	$4,552,198
Share rights Lapsed since Grant Date	191,600

1 External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-ree interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of $1.5 million for the 2004 (2003: $1.1 million) financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

C. SEPTEMBER 2003 PLAN

Executives were awarded share rights over ordinary shares in BlueScope Steel Limited. These share rights are subject to achievement of performance criteria and other terms on which they were awarded.

Performance Period

The performance period commenced on 1 October 2003 and ends on 30 September 2006.

Vesting

The proportion of share rights that vest at the end of the relevant performance period will be determined by the Company's performance measured in terms of Total Shareholder Return ('TSR'), relative to the TSR of the companies in the ASX/S&P 100 index at the award grant date. The TSR performance hurdle, and percentages of share rights that become exercisable on meeting the performance hurdle is as follows:

TSR PERFORMANCE HURDLE	% OF SHARE RIGHTS THAT VEST
75th – 100th percentile	100%
51st – < 75th percentile	A minimum of 52% plus a further 2% for each percentage ranking. Any unvested SRs will be carried over to be assessed at subsequent performance periods.
< 51st percentile	All SRs will be carried over to be assessed at subsequent performance periods.

If the performance hurdles are not met at the end of the first performance period (or are only partially met), four subsequent performance periods will apply. The subsequent performance periods commence on 1 October 2003 and end on 31 March 2007, 30 September 2007, 31 March 2008 and 30 September 2008 respectively.

Exercise Price

The exercise price for all share rights in the September 2003 award is Nil.

DETAILS OF THE SEPTEMBER 2003 AWARD

	Nil Priced share rights
Grant Date	24 October 2003 (All executives excluding MD & CEO) 13 November 2003 (MD & CEO)
Exercise Date	From 1 October 2006
Expiry Date	30 September 2008
Share rights Granted	2,511,600
Number of Participants at Grant Date	144
Number of Current Participants	143
Exercise Price	Nil
Fair Value Estimate at Grant Date[1]	$6,887,769
Share rights Lapsed since Grant Date	24,800

1 External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights at grant date. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, specific factors in relation to the likely achievement of performance hurdles and employment tenure have been taken into account. Currently, these fair values are not recognised as expenses in the financial statements. However, were these grants to have been expensed they would have been amortised over the vesting period resulting in an estimated increase in employee benefits expense of $1.6 million for the 2004 financial year. Note that no adjustment to this amount has been made to reflect actual forfeiture of shares.

Share rights granted to Directors and the top six senior executives during the financial year ended 30 June 2004 were as follows:

NAME	NUMBER	TOTAL FAIR VALUE[1] GRANTED $	EXERCISE PRICE PER SHARE $
Directors			
K C Adams	273,300	860,895	Nil
Executives			
L E Hockridge	97,100	313,633	Nil
K Fagg	82,600	266,798	Nil
B G Kruger	77,700	250.971	Nil
N Cornish	71,200	229,976	Nil
M Courtnall	64,000	208,981	Nil
I Cummin	94,700	305,881	Nil

1 External valuation advice from PricewaterhouseCoopers Securities Limited has been used to determine the value of the Executive share rights. The valuation has been made using the Binomial Option Pricing Model using standard option pricing inputs such as the underlying stock price, exercise price, expected dividends, expected risk-free interest rates and expected share price volatility. In addition, the likely achievement of performance hurdles of the share rights have been taken into account.

ENVIRONMENTAL REGULATION

The Company's values document, Our Bond and Health, Safety, Environment and Community ('HSEC') Policy sets out the philosophy of the BlueScope Steel Group with respect to the environment. The Company seeks to continuously improve its performance by reducing and preventing pollution and taking account of changing community expectations and evolving scientific knowledge. A copy of Our Bond is available on BlueScope Steel's website – www.bluescopesteel.com

The BlueScope Steel Group has continued to focus on ensuring its systems are robust and that environmental responsibilities are managed. The international standard of ISO 14001 provides a framework for the Company's environmental management system. By 31 December 2003 all then existing BlueScope Steel Group sites had attained certification to this standard. On 2 July 2004, an external audit of the environmental management system at the Port Kembla Steelworks located in New South Wales, Australia confirmed compliance with ISO 14001. Acquisitions over the second half of the financial year have resulted in new sites coming into the company. The BlueScope Steel Group also has underway construction activities at a number of greenfield and brownfield sites. The Company intends that its environmental management system will be implemented at these sites.

The Company notified relevant authorities of 76 breaches of environmental regulations occurring in the Company's operations in Australia during the reporting period. During the financial year, the Company was fined $70,500 under the Protection of the Environment Operations Act 1997 (NSW) ('PEO Act') over an incident at the Port Kembla Steelworks in October 2001 that caused contamination of Allans Creek, a fish kill and air emissions.

The Company was prosecuted by the NSW Department of Environment and Conservation in relation to one Tier 2 offence under the PEO Act for failure to maintain equipment following emissions to air arising from a loss of power to the Port Kembla Steelworks in March 2003. A fine of $70,000 was received in respect of that prosecution after the close of the financial year.

The Port Kembla Steelworks has entered into voluntary agreements with the NSW Environment Protection Authority to investigate possible land contamination of two areas within its site, the No.2 Steelworks and the recycling area. The investigations have not revealed any immediate concerns however, they have indicated areas that need to be investigated further.

BlueScope Steel periodically publishes reports concerning its environmental performance and proposes to issue a 2004 Health, Safety, Environment and Community Report prior to the end of the 2004 calendar year. The report will provide further details on the Company's environmental performance.

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 pages 48 and 49). 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 of BlueScope Steel or any of its subsidiaries, against all liabilities (and certain legal costs) incurred as such a Director or Secretary by a person, including a liability incurred as a result of appointment or nomination by BlueScope Steel or subsidiary as a trustee or as a Director, officer or employee of another corporation.

The current Directors of BlueScope Steel have each 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 a Director 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 a Director while they are in office and seven years after ceasing to be a Director.

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.

In respect of executive officers, under rule 21 of the Company's Constitution the Company, to the maximum extent permitted by law, may indemnify current or former executive officers of the Company or any of its subsidiaries, against all liabilities (and certain legal costs) incurred as such an executive officer to a person, including a liability incurred as a result of appointment or nomination by the Company or subsidiary as a trustee, or as a director, Officer or employee of another corporation.

Under the terms of the agreement for the acquisition of Butler Manufacturing Company, the Company undertook to assume Butler Manufacturing's commitments to indemnify, and maintain insurance in respect of, former Directors and officers of Butler Manufacturing against liabilities incurred by them as Directors and officers, to the extent permitted by Delaware law.

PROCEEDINGS ON BEHALF OF BLUESCOPE STEEL

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

ROUNDING OF AMOUNTS

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

AUDITOR

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

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

G J KRAEHE, AO CHAIRMAN

K C ADAMS MANAGING DIRECTOR AND CEO

Melbourne 18 August 2004

+ CONCISE FINANCIAL REPORT

30 JUNE 2004

EXPLANATORY STATEMENT TO THE CONCISE FINANCIAL REPORT

BlueScope Steel Limited legally separated from the BHP Billiton Group on 22 July 2002, having listed on the Australian Stock Exchange on 15 July 2002. For accounting purposes the effective separation date was 1 July 2002, and therefore the financial results for the previous corresponding 12 month period to 30 June 2003 in this report reflect a complete 12 months' results. However, certain cash flows associated with the separation were not complete until after 30 June 2002 and therefore cash flows from investing and financing activities in the previous corresponding period are not reflective of the underlying BlueScope Steel Group which separated from the BHP Billiton Group. Where necessary these transactions have been highlighted in this report.

On 17 November 2003, the Company changed its name from BHP Steel Limited to BlueScope Steel Limited.

+ BLUESCOPE STEEL LIMITED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2004

	Notes	2004 $M	2003 $M
Revenue from ordinary activities		5,769.6	5,302.1
Changes in inventories of finished goods and work in progress		1.7	36.1
Raw materials and consumables used		(2,145.6)	(2,029.3)
Employee benefits expense		(1,075.2)	(1,031.9)
Depreciation and amortisation expenses		(286.7)	(270.1)
Diminution in value of non-current assets		(1.4)	(12.6)
External services		(800.0)	(734.7)
Freight on external despatches		(418.7)	(410.0)
Carrying amount of non-current assets sold		(6.0)	(4.5)
Other expenses from ordinary activities		(288.7)	(298.7)
Borrowing costs expense		(16.8)	(22.0)
Shares of net profits of associates and joint venture partnership accounted for using the equity method		71.2	69.2
Profit from ordinary activities before income tax expense		803.4	593.6
Income tax expense		(201.6)	(120.9)
Profit from ordinary activities after income tax expense		601.8	472.7
Net profit attributable to outside equity interest		(17.7)	(21.0)
Net profit attributable to members of BlueScope Steel Limited	7	584.1	451.7
Decrease in retained profits on adoption of revised accounting standard: AASB 1028 'Employee Benefits'		–	(2.8)
Net increase (decrease) in foreign currency translation reserve		12.7	(77.9)
Total revenue, expenses and valuation adjustments attributable to members of BlueScope Steel Limited recognised directly in equity		12.7	(80.7)
Total changes in equity other than those resulting from transactions with owners as owners		596.8	371.0
		Cents	Cents
Basic earnings per share	5	77.8	57.1

The above consolidated statement of financial performance should be read in conjunction with the accompanying notes and discussion and analysis.

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

A breakdown of revenue and profit from ordinary activities before income tax by reporting segment is set out in note 2.

Key points to note on revenue from ordinary activities are:

- The BlueScope Steel Group acquired Butler Manufacturing Company and its controlled entities on 27 April 2004. In addition, a number of other minor controlled entities were acquired during the year. These acquisitions contributed an additional $237.5 million revenue for the year.
- Revenue from existing operations increased primarily due to higher steel prices and higher product despatches, partly offset by the impact of a higher AUD/USD on USD denominated revenues.

Key points to note on the profit from ordinary activities before income tax expense are:

- Earnings before interest and tax (EBIT) increased 34% from $611.1 million to $817.9 million. This improvement was due primarily to higher international and domestic steel prices, and higher product despatches. These were partly offset by the higher raw material and operating costs, and by the net impact of a stronger AUD/USD on USD denominated revenues and costs.
- The previous corresponding period included significant one-off costs associated with changing the Company's name to BlueScope Steel ($20.0 million) and improving the financial position of the Australian and New Zealand defined benefit superannuation funds ($31.8 million).

INCOME TAX

The effective tax rate for the 12 months ended 30 June 2004 was 25.1% (2003: 20.4%).

Following a company-wide review of tax accounting practices the Company has:

- Recognised an under provision of deferred tax liabilities in relation to prior period North Star BlueScope Steel income;
- Commenced tax effecting North Star BlueScope Steel's income;
- Recognised the tax benefit of certain carried forward tax losses in New Zealand and Asia, reflecting increased certainty of recoverability; and
- Recognised an over provision for deferred tax liabilities at Port Kembla Steelworks in relation to depreciable assets. As this related to timing differences that existed prior to the acquisition of the Port Kembla Steelworks in July 2002, the adjustment was made against net tangible assets rather than benefiting tax expense.

These changes, together with the continued utilisation of unbooked tax losses in New Zealand and utilisation of unbooked tax losses and tax exemptions in certain Asian operations explain the difference from the Australian tax rate of 30%.

	Notes	2004 $M	2003 $M
Current assets			
Cash assets		119.4	91.0
Receivables		989.2	639.6
Inventories		891.4	639.4
Other financial assets		–	4.1
Other		43.7	17.6
Total current assets		2,043.7	1,391.7
Non-current assets			
Receivables		7.1	10.8
Inventories		71.1	58.2
Investments accounted for using the equity method		236.3	151.6
Other financial assets		4.6	4.5
Property, plant and equipment		3,288.6	3,085.6
Deferred tax assets		58.0	37.3
Intangible assets		60.1	4.5
Other		12.6	8.9
Total non-current assets		3,738.4	3,361.4
Total assets		5,782.1	4,753.1
Current liabilities			
Payables		728.3	493.0
Interest bearing liabilities		416.0	101.5
Current tax liabilities		154.3	108.0
Provisions		294.7	258.7
Other		92.5	8.1
Total current liabilities		1,685.8	969.3
Non-current liabilities			
Interest bearing liabilities		176.7	66.4
Deferred tax liabilities		388.3	395.1
Provisions		337.7	231.2
Total non-current liabilities		902.7	692.7
Total liabilities		2,588.5	1,662.0
Net assets		3,193.6	3,091.1
Equity			
Parent entity interest			
Contributed equity	6	1,914.9	2,182.1
Reserves		(77.5)	(91.2)
Retained profits	7	1,302.9	961.4
Total parent entity interest		3,140.3	3,052.3
Outside equity interest in controlled entities		53.3	38.8
Total equity		3,193.6	3,091.1

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

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The major impact on the consolidated statement of financial position arose due to the acquisition of the Butler Manufacturing Company on 27 April 2004, together with a number of other minor controlled entities during the year.

The total impact of these acquisitions were as follows:

	$M
Cash	72.5
External receivables	211.0
Inventories	174.2
Property, plant and equipment	187.0
Deferred tax assets	43.3
Other financial assets	3.8
Other assets	35.1
External payables	(178.4)
Deferred tax liability	(0.9)
Provision for restructuring	(23.4)
Other provisions	(167.5)
Net borrowings	(44.4)
	312.3
Goodwill on consolidation	51.5
Deferred purchase price	(1.3)
Cash consideration	362.5

In order to facilitate the purchase of the Butler Manufacturing Company, a $217 million bridging facility was negotiated with existing borrowing facilities utilised to pay the total purchase price of $277.2 million (net of cash acquired). Subsequent to the end of the financial year, the BlueScope Steel Group completed a debut debt raising in the US private placement market for US$300 million. These funds have been used to refinance existing borrowings including the bridging finance.

Other key notes on balance sheet movements, other than as noted above, are as follows:

ASSETS AND LIABILITIES

- An increase in receivables due to higher sales volumes and prices, together with lower utilisation of the Company's receivables securitisation program.
- An increase in inventories due to higher sales volumes and raw material costs.
- An increase in deferred tax assets arising from the booking of tax losses in New Zealand and Asia due to increased certainty of recoverability.
- An increase in provision for income tax in line with increased earnings from Australian operations.

EQUITY

- The Company's first share buyback program commenced on 14 March 2003 and concluded on 13 March 2004 at which time 60,679,153 shares had been purchased leaving 732,320,847 shares on issue. The total cash cost of the buyback was $285.3 million including $0.4 million of transaction costs.

RELATIONSHIP BETWEEN DEBT AND EQUITY

The current gearing ratio, calculated as net debt over net debt plus equity, is 12.9% (2003: 2.4%). The increase in the gearing ratio has been largely driven by the acquisition of the Butler Manufacturing Company on 27 April 2004. Total BlueScope Steel Group debt outstanding at 30 June 2004 is $592.7 million (2003: $167.9 million).

	Notes	2004 $M	2003 $M
Cash flows from operating activities			
Receipts from customers		5,948.3	5,443.3
Payments to suppliers and employees		(5,099.9)	(4,695.3)
		848.4	748.0
Dividends received		1.0	1.9
Interest received		2.6	2.3
Other revenue		43.3	15.0
Borrowing costs		(15.8)	(26.6)
Income taxes paid		(119.4)	(29.2)
Net cash inflow/(outflow) from operating activities		760.1	711.4
Cash flows from investing activities			
Payment for purchase of controlled entities, net of cash acquired*		(290.0)	(716.1)
Payments for property, plant and equipment		(289.1)	(183.3)
Payments for investments		(5.5)	(26.1)
Proceeds from sale of property, plant and equipment		11.8	8.6
Proceeds from sale or redemption of investments		6.5	–
Associate loan receivable repaid (advanced)		(11.2)	35.6
Net cash inflow/(outflow) from investing activities		(577.5)	(881.3)
Cash flows from financing activities			
Proceeds from issues of shares*		–	2,045.4
Share buyback		(259.4)	(25.9)
Employee share plan		(9.2)	–
Proceeds from demerger borrowings*		–	565.0
Proceeds from other borrowings		3,469.5	1,117.1
Financing provided by BHP Billiton*		–	(1,797.2)
Repayment of borrowings		(3,114.0)	(1,657.0)
Repayment of finance leases		(0.3)	–
Dividends paid	4	(241.6)	(71.4)
Dividends paid to outside equity interests in controlled entities		(3.0)	(5.2)
Net cash inflow/(outflow) from financing activities		(158.0)	170.8
Net increase/(decrease) in cash held		24.6	0.9
Cash at the beginning of the financial year		91.0	98.7
Effects of exchange rate changes on cash		2.5	(8.6)
Cash at the end of the financial year		118.1	91.0

* The prior year consolidated cash flows from investing and financing activities include cash flows related to the separation of BlueScope Steel Limited from the BHP Billiton Group, including the acquisition of the BlueScope Steel (AIS) Pty Ltd Group on 3 July 2002.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes and discussion and analysis

DISCUSSION AND ANALYSIS OF CONSOLIDATED STATEMENT OF CASH FLOWS

CASH FLOWS FROM OPERATING ACTIVITIES

The increase in net operating cash flow primarily reflects an increase in operating cash profits partly offset by an increase in net working capital. The increase in net working capital primarily reflects:

- An increase in receivables mainly due to higher prices and despatch volumes, together with lower utilisation of the Company's receivables securitisation program.
- An increase in inventory in the current year primarily reflecting higher raw material and operating costs, together with a build-up of iron ore stocks and an increase in slab stocks due to the timing of export shipments.
- Lower year-on-year increase in provisions primarily due to significant increases in provisions for the Company's name change, Short Term Incentives, and redundancy entitlements being made in the previous corresponding period.

CASH FLOWS FROM INVESTING ACTIVITIES

The increase in investing cash flow, after excluding the purchase of the AIS Group from BHP Billiton in the previous corresponding period, primarily reflects the following:

- The acquisition of Butler Manufacturing Company.
- Expenditure associated with the Vietnam and China coating line developments, the second Thailand metal coating line and the New Zealand metal coating capacity expansion.
- The receipt of funds loaned to North Star BlueScope Steel in the previous corresponding period.

These were partly offset by lower expenditure on the Sinter Plant emissions project at Port Kembla Steelworks.

CASH FLOWS FROM FINANCING ACTIVITIES

Major financing cash flows are as follows:

- $259.4 million of shares bought back (2003: $25.9 million).
- The payment of $241.6 million in dividends (2003: $71.4 million). This amount includes $53.8 million in special dividend payments.
- During the period the company borrowed an additional $355.5 million of debt. This was primarily due to the acquisition of the Butler Manufacturing Company with operating cash flows covering payments made for the share buyback, capital expenditure, dividends and tax.

In the previous corresponding period, cash flows associated with the separation from the BHP Billiton Group included:

- $2,045.4 million proceeds from the issue of shares;
- ($716.1) million purchase of the AIS Group. This includes the Port Kembla Steelworks, New Zealand Steel and Packaging Products;
- $565.0 million proceeds from the raising of external debt; and
- ($1,797.2) million repayment of loans to the BHP Billiton Group.

NOTE 1
BASIS OF PREPARATION OF THE CONCISE FINANCIAL REPORT

The Concise Financial Report has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standard AASB 1039 'Concise Financial Reports'.

The Concise Financial Report relates to the consolidated entity incorporating the assets and liabilities of all entities controlled by BlueScope Steel Limited as at 30 June 2004 and the results of all controlled entities for the year then ended. The accounting policies adopted are consistent with those of the previous year.

CHANGES IN ACCOUNTING POLICIES

AASB 1028 'Employee Benefits' (applicable from 1 July 2002)

Under this revised Standard, the liability for wages and salaries, annual leave and other employee entitlements to be settled within the next 12 months are recognised in the financial statements at remuneration rates at which they are expected to be settled, rather than at wage and salary rates current as at reporting date. The adjustments to the prior year consolidated financial statements as a result of the changes in AASB 1028 were:

- $4.0 million increase in provision for employee benefits
- $1.2 million increase in deferred taxes
- $2.8 million decrease in opening retained profits.

ROUNDING OF AMOUNTS

The company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in financial reports. Amounts in the Concise Financial Report have been rounded off in accordance with that Class Order to the nearest hundred thousand dollars.

a. International Financial Reporting Standards (IFRS)

The Australian Accounting Standards Board (AASB) is adopting Australian equivalents to IFRS for application to reporting periods beginning on or after 1 January 2005. The adoption of Australian equivalents to IFRS will be first reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and the year ending 30 June 2006.

Entities complying with Australian equivalents to IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of IFRS to that comparative period. Most adjustments required on transition to IFRS will be made, retrospectively, against opening retained earnings as at 1 July 2004.

BlueScope Steel Limited has commenced transitioning its accounting policies and financial reporting from current Australian Standards to Australian equivalents to IFRS. The company engaged its external auditors, Ernst & Young, to perform a diagnostic to isolate key areas that will be impacted by the transition to IFRS. This assessment has formed the basis of structuring the IFRS conversion project within the company. The release of the Australian equivalents to IFRS has enabled specific information to be gathered on the impact on accounting systems, future results, accounting policies and procedures.

Although the Company has not quantified the impacts on the financial statements, the transition is currently on schedule. Updates of the Company's IFRS implementation plan are provided to the Audit and Risk Committee.

Major changes identified to date that will be required to the Company's existing accounting policies include the following:

i. Employee benefits

Under AASB 119 'Employee Benefits', employer sponsors are required to recognise the net deficit in employer sponsored defined benefit funds as a liability. This will result in a change in the Group's current accounting policy in which a liability is only recognised where a legal obligation exists. The Company has defined benefit superannuation plans with deficits in Australia and New Zealand that will require an actuarially determined liability to be recorded. The company also has combined deficits in defined benefit superannuation plans in North America, however due to existing legal requirements relating to these funds, a liability has already been recognised.

The liability to be recognised under AASB 119 would be higher than the deficits disclosed in note 37 of the full Financial Report. AASB 119 requires the deficit to be grossed up for employer contributions tax (Australia 15%, New Zealand 33%) and for the accrued benefits disclosure to be discounted using a government bond rate. At present, the accrued benefits liability is discounted using the expected return on the fund assets which typically is a higher rate than the government bond rate.

ii. Income tax

Under AASB 112 'Income Taxes', the company will be required to use the balance sheet liability method. This method focuses on the tax effect of transactions and other events that affect amounts recognised in either the statement of financial position or a tax-based balance sheet. The impact of this requirement on the opening 1 July 2004 balance sheet is not expected to be significant.

Under current Australian Accounting Standards income tax losses can only be brought to account as an asset if they are considered virtually certain of realisation. AASB 112 requires income tax losses to be brought to account as an asset if they are probable of realisation. Probable is defined as more likely than not. The Group's unbooked tax losses shown in note 5(b) of the full Financial Report, will be assessed for recognition using the less stringent probable of realisation test.

iii. Impairment of assets

AASB 136 'Impairment of Assets' determines the recoverable amount of cash generating assets by assessing the higher of fair value less costs to sell and value in use. In determining value in use, future cash flows are to be discounted using a risk adjusted pre tax discount rate. Cash generating units (CGUs) are described as the smallest group of assets that generate cash flows from continuing use that are largely independent.

The BlueScope Steel Group currently assesses the recoverable value of income generating units (IGUs) using future cash flows discounted at a pre tax company-wide discount rate. IGUs are defined as a groups of assets working together to generate cash flows. The concept of CGUs will require certain assets to be assessed for recoverability on a stand alone basis rather than being grouped into an IGU. As a result, an impairment may be identified through the use of a CGU approach compared to an IGU approach.

The risk adjusted discount rate required by AASB 136 requires inclusion of a country risk premium. Therefore, certain BlueScope Steel assets' future cash flows will be discounted at higher rates, increasing the possibility of asset impairment being taken through the statement of financial performance.

iv. Share based payments

Under AASB 2 'Share Based Payments', the company will be required to recognise an expense in the statement of financial performance for the fair value of share rights granted to employees as remuneration. It applies to all share rights issued after 7 November 2002 which have not vested as at 1 January 2005. BlueScope Steel Limited issues share rights to senior executives in the organisation as part of its remuneration strategy which focuses on performance and accountability and aligning performance-related reward with the value delivered to shareholders. The fair values and other details, including the expense that would otherwise have been recognised, on all outstanding share rights granted by the company are disclosed in note 33 of the full Financial Report.

AASB 2 will only apply in respect to the September 2003 share rights granted and any future grants. The fair value of these grants are to be expensed over the expected vesting period with a corresponding increase in share capital. No tax deduction is allowed for the amount expensed.

In addition, the Company announced its intention to award 150 shares at nil cost to approximately 16,000 BlueScope Steel employees in September 2004. Under AASB 2 the fair value of this issue will be required to be expensed in the year ended 30 June 2005, whereas under the current Australian Accounting Standards the shares are issued at nil cost and no expense is recognised.

v. Goodwill

Under AASB 3 'Business Combinations', goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. This will result in a change in the Group's accounting policy which currently amortises goodwill over its useful life not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired. The impact on the Company's reported results is not expected to be material given the amount of goodwill currently recorded in the financial statements (refer note 17 of the full Financial Report).

vi. Classification of financial instruments

Under AASB 139 'Financial Instruments: Recognition and Measurement', financial assets are only able to be derecognised where an entity transfers substantially all the risks and rewards of ownership of the financial asset. The Company's sale of receivable program does not currently meet the requirement of substantially transferring all of the risk and rewards of ownership. As a result, the sale of receivables program will be recorded as a liability rather than an offset against trade debtors (refer note 7 of the full Financial Report).

vii. Hedge accounting

Under AASB 139 'Financial Instruments: Recognition and Measurement', in order to achieve a qualifying hedge, the Company is required to meet the following criteria:

- Identify the type of the hedge;
- Identify the hedged item or transaction;
- Identify the nature of the risk being hedged;
- Identify the hedging instrument;
- Demonstrate that the hedge has and will continue to be effective; and
- Document the hedging relationship.

The impact of this standard is not expected to have a material impact on the financial statements of the Company given the low level of hedging activity currently undertaken (refer note 32 of the full Financial Report).

The above should not be regarded as a complete list of changes in accounting policies that will result from the transition of Australian equivalents to IFRS, as not all standards have been analysed in detail, and some decisions have not been made where specific accounting policy elections are available.

NOTE 2
SEGMENT INFORMATION

BUSINESS SEGMENTS

The consolidated entity has five business reporting segments: Hot Rolled Products, Coated and Building Products Australia (formerly Coated Products Australia), New Zealand Steel, Coated and Building Products Asia (formerly Coated Products Asia) and Coated and Building Products North America.

On 3 July 2002, BlueScope Steel Limited acquired BlueScope Steel (AIS) Pty Ltd from the BHP Billiton Group. The operating assets of BlueScope Steel (AIS) Pty Ltd includes Port Kembla Steel Works, Packaging Products and New Zealand Steel. For accounting purposes, the effective acquisition date was 1 July 2002 and therefore the financial results for the previous corresponding 12 month period to 30 June 2003 reflects a full year's results.

HOT ROLLED PRODUCTS

Hot Rolled Products includes the Port Kembla Steelworks, a steel making operation with an annual production capacity of 5.1 million tonnes of crude steel. The Port Kembla Steelworks manufactures and distributes slab, hot rolled coil and plate. Slab and hot rolled coil is supplied to Coated and Building Products Australia for further processing, as well as to other domestic and export customers.

The segment also includes a 50% interest in the North Star BlueScope Steel joint venture, a steel mini-mill in the United States, and a 47.5% shareholding in Castrip LLC.

COATED AND BUILDING PRODUCTS AUSTRALIA

Coated and Building Products Australia (formerly Coated Products Australia) markets a range of products and material solutions to the Australian building and construction industry and is also a key supplier to the Australian automotive sector, major white goods manufacturers and general manufacturers. Coated and Building Products Australia is a leader in metallic coating and painting technologies supplying a wide range of branded products such as COLORBOND® pre-painted steel, ZINCALUME® zinc/aluminium alloy-coated steel and the LYSAGHT® range of building products. The Coated and Building Products business comprises two main production facilities at Springhill in New South Wales and Western Port in Victoria together with a network of manufacturing and distribution facilities throughout Australia.

The segment also includes Packaging Products, an operation producing tinplate and blackplate in Australia which are used by the packaging industry in applications for food, beverages, paint, oil and other steel packaging.

COATED AND BUILDING PRODUCTS NORTH AMERICA

On 27 April 2004, BlueScope Steel Limited acquired Butler Manufacturing Company, a leading designer and manufacturer of pre-engineered steel building systems for the non-residential market in North America, with six manufacturing plants across the US and Mexico.

Butler has two main North American divisions: the North American Buildings Group, which designs, manufactures and markets pre-engineered steel buildings and component systems; and Vistawall, which manufactures and sells extruded aluminium and glass products for the building and construction sector.

COATED AND BUILDING PRODUCTS ASIA

Coated and Building Products Asia (formerly Coated Products Asia) manufactures and distributes a range of metallic coated and painted steel products primarily to the building and construction industry and to some sections of the manufacturing industry across Asia and the Pacific.

On 27 April 2004, BlueScope Steel Limited acquired the Butler Manufacturing Company, which includes BlueScope Butler China, a business which designs, manufacturers and markets pre-engineered steel building systems and components across China. In addition, Vistawall has operations in China which manufacture and sell extruded aluminium and glass products for the building and construction sector.

NEW ZEALAND STEEL

The New Zealand Steel operations at Glenbrook, New Zealand, produces a full range of flat steel products for both domestic and export markets. It has an annual production capacity of 0.6 million tonnes.

CORPORATE AND GROUP

Corporate and Group relates primarily to logistics, export trading and corporate activities

INTERSEGMENT PRICING AND SEGMENT ACCOUNTING POLICIES

Intersegment sales are made on a commercial arm's-length basis. Segment accounting policies are the same as the consolidated entity's policies outlined in the full Financial Report.

NOTE 2 SEGMENT INFORMATION
PRIMARY REPORTING – BUSINESS SEGMENTS

2004	Hot Rolled Products [1] $M	New Zealand Steel $M	Coated and Building Products Australia $M	Coated and Building Products Asia $M	Coated and Building Products North America $M	Corporate and Group $M	Consolidated $M
Sales to external customers	1,268.6	484.7	2,742.3	673.8	191.1	377.6	5,738.1
Intersegment sales	1,462.9	75.5	141.2	15.3	0.4	291.4	1,986.7
Intersegment elimination							(1,986.7)
Total sales revenue	2,731.5	560.2	2,883.5	689.1	191.5	669.0	5,738.1
Other revenue	4.7	1.3	3.2	11.5	2.0	9.5	32.2
Intersegment elimination							(0.7)
Total other revenue	4.7	1.3	3.2	11.5	2.0	9.5	31.5
Total segment revenue	2,736.2	561.5	2,886.7	700.6	193.5	678.5	5,769.6
Segment result	565.1	58.5	196.7	100.2	(8.8)	(61.7)	850.0
Intersegment elimination							(32.1)
Total segment result	565.1	58.5	196.7	100.2	(8.8)	(61.7)	817.9
Unallocated revenue less unallocated expenses							(14.5)
Profit from ordinary activities before income tax expense							803.4
Income tax expense							(201.6)
Net profit							601.8
Segment assets	2,311.8	520.9	1,684.0	822.7	518.9	124.2	5,982.5
Unallocated assets [2]							124.7
Intersegment elimination							(325.1)
Total assets							5,782.1
Segment liabilities	452.6	92.8	428.7	203.3	286.9	147.8	1,612.1
Unallocated liabilities [2]							1,225.6
Intersegment elimination							(249.2)
Total liabilities							2,588.5
Investments in associates and joint venture partnership	232.1	–	–	–	4.2	–	236.3
Acquisition of property, plant and equipment, intangibles and other non-current segment assets [3]	64.5	26.5	104.2	164.1	176.0	4.0	539.3
Depreciation and amortisation expense	127.8	35.4	93.6	22.3	3.6	4.0	286.7
Other non-cash expenses	0.4	(1.0)	1.6	1.2	0.2	(0.9)	1.5

1. The Hot Rolled Products segment results includes $71.1 million share of net profits of joint venture partnership.
2. External borrowings, sale of receivables program, cash and tax balances are classified as unallocated.
3. Includes property, plant and equipment acquired on 27 April 2004 from the purchase of the Butler Manufacturing Company for $186.1 million. This is reflected in the Coated and Building Products North America and Asia segments.

NOTE 2 SEGMENT INFORMATION
PRIMARY REPORTING – BUSINESS SEGMENTS CONTINUED

2003	Hot Rolled Products[1] $M	New Zealand Steel $M	Coated and Building Products Australia $M	Coated and Building Products Asia $M	Corporate and Group $M	Consolidated $M
Sales to external customers	1,198.7	468.7	2,622.9	553.5	428.3	5,272.1
Intersegment sales	1,426.8	79.9	105.4	15.1	287.6	1,914.8
Intersegment eliminations						(1,914.8)
Total sales revenue	2,625.5	548.6	2,728.3	568.6	715.9	5,272.1
Other revenue	6.3	2.0	6.9	6.7	6.2	28.1
Intersegment eliminations						1.9
Total other revenue	6.3	2.0	6.9	6.7	6.2	30.0
Total segment revenue	2,631.8	550.6	2,735.2	575.3	722.1	5,302.1
Segment result	471.2	44.4	118.5	84.0	(101.8)	616.3
Intersegment eliminations						(5.2)
Total segment result	471.2	44.4	118.5	84.0	(101.8)	611.1
Unallocated revenue less unallocated expenses						(17.5)
Profit from ordinary activities before income tax expense						593.6
Income tax expense						(120.9)
Net profit						472.7
Segment assets	2,236.3	501.4	1,607.1	483.2	108.1	4,936.1
Unallocated assets [2]						28.6
Intersegment elimination						(211.6)
Total assets						4,753.1
Segment liabilities	396.5	78.0	399.0	79.3	138.3	1,091.1
Unallocated liabilities [2]						738.6
Intersegment elimination						(167.7)
Total liabilities						1,662.0
Investments in associates and joint venture partnership	151.6	–	–	–	–	151.6
Acquisition of property, plant and equipment, intangibles and other non-current segment assets [3]	1,898.4	346.5	49.2	40.3	10.8	2,345.2
Depreciation and amortisation expense	119.9	37.0	83.5	24.6	5.1	270.1
Other non-cash expenses	(0.9)	11.9	1.0	0.9	0.2	13.1

1. The Hot Rolled Products segment result includes $69.2 million share of net profits of joint venture partnership.
2. External borrowings, sale of receivables program, cash and tax balances are classified as unallocated.
3. Includes property, plant and equipment acquired on 3 July 2002 from the purchase of BlueScope Steel (AIS) Pty Limited for $2,175.5 million. This is primarily reflected in the Hot Rolled Products and New Zealand Steel reporting segments.

NOTE 3 REVENUE

	2004 $M	2003 $M
Sale of goods	5,614.5	5,144.6
Services	123.6	127.5
Sales revenue	5,738.1	5,272.1
Other revenue	31.5	30.0
Total revenue	5,769.6	5,302.1

NOTE 4 DIVIDENDS

	2004 $M	2003 $M
Total dividends paid	241.6	71.4

As at 30 June 2004, the Company's franking credits available for subsequent years is $148.0 million (2003: $85.3 million). The franking credits balance includes franking credits that are expected to arise from the payment of income tax payable as at the end of the financial year.

A fully franked final dividend of 13 cents ($100 million) and a fully franked special dividend of 7 cents ($53.8 million) per fully paid ordinary share was paid on 10 October 2003. A fully franked interim dividend of 12 cents per fully paid ordinary share was paid on 29 March 2004 ($87.9 million).

The Directors have declared a fully franked final dividend of 18 cents and a fully franked special dividend of 10 cents per fully paid ordinary share. The estimated final dividend payable of $131.8 million and the special dividend payable of $73.2 million, to be paid on 18 October 2004 (record date 5 October 2004), have not been recognised as a liability at 30 June 2004.

NOTE 5 EARNINGS PER SHARE

	2004 Cents	2003 Cents
Basic earnings per share	77.8	57.1

There is no diluted earnings per share impact from the executive share rights scheme as it is the current intention of the company to satisfy their entitlements through the buyback and cancellation of an equivalent number of BlueScope Steel Limited issued shares.

	2004 Number	2003 Number
Weighted average number of shares		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	750,542,940	791,544,061

	2004 $M	2003 $M
Reconciliations of earnings used in calculating earnings per share		
Basic earnings per share		
Net profit	601.8	472.7
Net profit attributable to outside equity interest	(17.7)	(21.0)
Earnings used in calculating basic earnings per share	584.1	451.7

NOTE 6 MOVEMENTS IN ORDINARY SHARE CAPITAL

	2004 Shares	2003 Shares	2004 $M	2003 $M
Opening balance	784,685,949	100,000,000	2,182.1	164.0
Demerger from BHP Billiton	–	693,000,000	–	2,045.4
Share buyback	(52,365,102)	(8,314,051)	(257.7)	(27.2)
Employee share plan	–	–	(9.2)	–
Less: Transaction costs arising on share buyback			0.3	0.1
	732,320,847	784,685,949	1,914.9	2,182.1

SHARE BUYBACK

The company commenced a 10% on-market buyback of share capital on 14 March 2003. The total number of shares that could be repurchased was 79,300,000. At the conclusion of the share buyback on 13 March 2004, the total number of shares bought back was 60,697,153 ($285.3 million, including $0.4 million of transaction costs).

EMPLOYEE SHARE PLAN

In September 2003, the company provided 200 BlueScope Steel Limited shares at nil cost to 9,403 eligible employees (1,880,600 shares). The objective was to recognise and reward employees for their contribution to the company's first year financial and workplace safety performance and provide them with the opportunity to become long term shareholders. An equivalent number of shares were bought back at $4.88 per share.

NOTE 7 RETAINED PROFITS

	Notes	2004 $M	2003 $M
Retained profits			
Retained profits at the beginning of the financial year		961.4	387.7
Net profit attributable to members of BlueScope Steel Limited		584.1	451.7
Adjustment resulting from adoption of revised accounting standard AASB 1028 'Employee Benefits'	1	–	(2.8)
Dividends paid	4	(241.6)	(71.4)
Aggregate of amounts transferred from reserves		(1.0)	196.2
		1,302.9	961.4

NOTE 8 EVENTS OCCURRING AFTER REPORTING DATE

PRIVATE PLACEMENT – DEBT

On 1 July 2004, the BlueScope Steel Group completed a debut debt raising in the US private placement market for US$300 million.
These funds have been used to refinance existing borrowings including bridging finance utilised for the acquisition of Butler Manufacturing Company.

Of the US$300 million notes issued, US$100 million are due for repayment in 2011, and US$200 million are due in 2014.

HOT STRIP MILL UPGRADE

On 28 July 2004, the BlueScope Steel Group announced Board approval for investment of approximately $100 million to increase the nominal capacity of the Hot Strip Mill at Port Kembla Steelworks from 2.4 to 2.8 million tonnes per annum. The upgrade is expected to be completed in the first quarter of the 2006/07 financial year and will be undertaken in a manner that will minimise the impact on current plant operations.

NOTE 9 FULL FINANCIAL REPORT

Further financial information can be obtained from the full Financial Report which is available from the Company, free of charge, on request. A copy may be requested by contacting the Company's share registrar whose details appear in the Corporate Directory. Alternatively, both the full Financial Report and the Concise Financial Report can be accessed via the internet at: www.bluescopesteel.com

DIRECTORS' DECLARATION

The Directors declare that in their opinion, the Concise Financial Report of the consolidated entity for the year ended 30 June 2004 as set out on pages 50 to 57 complies with Accounting Standard AASB 1029: 'Concise Financial Reports'.

The financial statements and specific disclosures included in this Concise Financial Report have been derived from the full financial report for the year ended 30 June 2004.

The Concise Financial Report cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report, which as indicated in note 9, is available on request.

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

G J KRAEHE, AO CHAIRMAN

K C ADAMS MANAGING DIRECTOR & CEO

Melbourne 18 August 2004

+ INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF BLUESCOPE STEEL LIMITED

SCOPE

The Concise Financial Report and Directors' responsibility

The Concise Financial Report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the Directors' declaration for the consolidated entity, for the year ended 30 June 2004. The consolidated entity comprises both BlueScope Steel Limited (the company) and the entities it controlled during the year.

The Directors of the company are responsible for preparing a Concise Financial Report that complies with Accounting Standard AASB 1039 'Concise Financial Reports', in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the Concise Financial Report.

Audit approach

We conducted an independent audit on the Concise Financial Report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the Concise Financial Report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the Concise Financial Report is presented fairly in accordance with the Accounting Standard AASB 1039 'Concise Financial Reports'.

We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the Concise Financial Report is consistent with the full financial report, and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the Concise Financial Report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2004. Our audit report on the full financial report was signed on 18 August 2004, and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

INDEPENDENCE

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the full and Concise Financial Reports, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

AUDIT OPINION

In our opinion, the Concise Financial Report of BlueScope Steel Limited complies with Accounting Standard AASB 1039 'Concise Financial Reports'.

Ernst & Young

A I Beckett
Partner

Melbourne
18 August 2004

+ SHAREHOLDER INFORMATION

DISTRIBUTION SCHEDULE

RANGE	NO. OF HOLDERS	NO. OF SHARES	% OF ISSUED CAPITAL
1–1,000	118,874	48,977,215	6.69
1,001–5,000	53,743	119,121,654	16.27
5,001–10,000	6,756	48,206,791	6.58
10,001–100,000	3,450	71,426,193	9.75
100,001 and over	158	444,588,994	60.71
Total	**182,981**	**732,320,847**	**100.00**

There were 5,235 holders with less than a marketable parcel of BlueScope Steel shares (that is, a parcel with a value of less than $500) as at Friday, 13 August 2004.

TWENTY LARGEST REGISTERED SHAREHOLDERS AS FRIDAY 13 AUGUST 2004

RANK	NAME OF SHAREHOLDER	TOTAL UNITS	% OF ISSUED CAPITAL
1	J P MORGAN NOMINEES AUSTRALIA LIMITED	97,660,101	13.34
2	NATIONAL NOMINEES LIMITED	92,994,899	12.70
3	WESTPAC CUSTODIAN NOMINEES LIMITED	79,364,054	10.84
4	CITICORP NOMINEES PTY LIMITED	20,972,719	2.86
5	ANZ NOMINEES LIMITED	20,873,680	2.85
6	AMP LIFE LIMITED	13,709,146	1.87
7	QUEENSLAND INVESTMENT CORPORATION	13,634,023	1.86
8	COGENT NOMINEES PTY LIMITED	13,015,932	1.78
9	RBC GLOBAL SERVICES AUSTRALIA NOMINEES PTY LIMITED	9,830,416	1.34
10	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,285,374	0.86
11	IAG NOMINEES PTY LIMITED	5,023,815	0.69
12	IOOF INVESTMENT MANAGEMENT LIMITED	4,550,190	0.62
13	GOVERNMENT SUPERANNUATION OFFICE	4,331,268	0.59
14	COGENT NOMINEES PTY LIMITED	4,231,937	0.58
15	WESTPAC FINANCIAL SERVICES LIMITED	2,567,143	0.35
16	PSS BOARD	2,368,908	0.32
17	TRANSPORT ACCIDENT COMMISSION	2,334,536	0.32
18	CSS BOARD	2,110,464	0.29
19	VICTORIAN WORKCOVER AUTHORITY	1,805,634	0.25
20	HEALTH SUPER PTY LTD	1,397,437	0.19
	Total for Top 20	**399,061,676**	**54.49**
	Total other investors	**333,259,171**	**45.51**
	Grand total	**732,320,847**	**100.00**

On Thursday 19 August 2004, the Company announced an on-market buyback of up to 18,400,000 fully-paid ordinary shares.