ARRIUM LIMITED

RESULTS FOR ANNOUNCEMENT TO THE MARKET

FINANCIAL YEAR ENDED 30 JUNE 2015

Comparison to previous corresponding period (pcp)	2015 A$ million	2014 A$ million	Movement	Change %
Total revenue from ordinary activities	6,085.6	7,006.6	down	13.1
Statutory (loss)/profit from ordinary activities after tax attributable to ordinary equity holders	(1,918.2)	205.4	down	NC[2]
Statutory net (loss)/profit for the period attributable to ordinary equity holders	(1,918.2)	205.4	down	NC[2]
Underlying (loss)/profit from ordinary activities after tax attributable to ordinary equity holders[1]	(6.7)	296.3	down	102
Underlying net (loss)/profit for the period attributable to ordinary equity holders[1]	(6.7)	296.3	down	102

[1] Details of the reconciliation of underlying to statutory results can be found attached to this document.

[2] NC = Not comparable

Dividends

There was no interim dividend paid during the financial year and the Company does not propose to pay a final dividend for FY15.

Net tangible assets	30 June 2015	30 June 2014
Net Tangible Assets per security ($)	0.27	1.29

Details of Associates and Joint Venture Entities

Name of associate or joint venture entity	Associate or Joint Venture Entity	Percentage holding June 2015	Percentage holding June 2014
GenAlta Recycling Inc.	Jointly controlled entity	50%	50%

Details of entities over which control was gained during the period

Name of entity	Date
International Recyclers (Thailand) Ltd	1 July 2014
Moly-Cop Brasil Participacoes Ltda	19 August 2014

Details of entities over which control ceased during the period

Name of entity	Date
Onesteel Pte Ltd	5 June 2015

Dividend Reinvestment Plan

As no final dividend is payable the Dividend Reinvestment Plan will not operate.

Other disclosures

Further ASX Appendix 4E disclosures are located in the Arrium Limited Financial Report and Operating and Financial Review.

The Statutory Results summarised in this report are based on a Financial Report that has been audited and is not subject to any dispute or qualification.

ATTACHMENT

Year ended 30 June 2015	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Impairment[2]	Tax adjustments[3]	Restructuring costs & Other items[4]	**Total Operations Underlying**
Sales revenue	5,896.3	189.3	**6,085.6**	-	-	-	**6,085.6**
Other revenue/income	90.5	3.3	**93.8**	-	-	-	**93.8**
Total revenue/income	5,986.8	192.6	**6,179.4**	-	-	-	**6,179.4**
Gross profit/(loss)	443.5	(67.4)	**376.1**	-	-	-	**376.1**
EBITDA	10.4	(100.4)	**(90.0)**	205.9	-	235.0	**350.9**
Depreciation, amortisation and impairment	(1,755.9)	(34.8)	**(1,790.7)**	1,445.9	-	(0.6)	**(345.4)**
EBIT	(1,745.5)	(135.2)	**(1,880.7)**	1,651.8	-	234.4	**5.5**
Finance costs	(93.2)	-	**(93.2)**	-	-	2.6	**(90.6)**
Profit/(loss) before tax	(1,838.7)	(135.2)	**(1,973.9)**	1,651.8	-	237.0	**(85.1)**
Tax (expense)/benefit	28.0	28.5	**56.5**	1.0	102.2	(80.5)	**79.2**
Profit/(loss) after tax	(1,810.7)	(106.7)	**(1,917.4)**	1,652.8	102.2	156.5	**(5.9)**
Non-controlling interests	(0.8)	-	**(0.8)**	-	-	-	**(0.8)**
Net profit/(loss) after tax	(1,811.5)	(106.7)	**(1,918.2)**	1,652.8	102.2	156.5	**(6.7)**

1 Relating to the results of Australian Tube Mills, Merchandising, US Recycling businesses and Ropes. Excludes intercompany transactions. Statutory EBITDA and statutory net loss after tax including intercompany transactions are $13.8m and $46.1m respectively.
2 Comprising inventory write down in Mining and impairment of intangible assets, mine development expenditures and property, plant and equipment in Mining, Mining Consumables, Steel and Recycling and discontinued operations.
3 Prior period tax adjustments and write off of deferred tax assets including the impact of the repeal of the Mineral Resource Rent Tax.
4 Related to redundancies and other direct expenditure associated with business restructures and organisational changes. Other items in net profit/(loss) after tax of $10.7m includes break fees associated with early termination of cross currency and interest rate swaps and other non-recurring costs.

Year ended 30 June 2014	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Impairment[3]	Steel Transformation Plan[4]	Tax adjustments[5]	Restructuring costs & Other items[2]	**Total Operations Underlying**
Sales revenue	6,502.0	504.6	**7,006.6**	-	-	-	-	**7,006.6**
Other revenue/income	111.8	13.7	**125.5**	-	-	-	-	**125.5**
Total revenue/income	6,613.8	518.3	**7,132.1**	-	-	-	-	**7,132.1**
Gross profit/(loss)	1,211.3	(31.3)	**1,180.0**	-	-	-	-	**1,180.0**
EBITDA	868.7	(87.6)	**781.1**	-	26.5		56.6	**864.2**
Depreciation, amortisation, and i	(374.1)	(6.5)	**(380.6)**	13.2	-	-	-	**(367.4)**
EBIT	494.6	(94.1)	**400.5**	13.2	26.5	-	56.6	**496.8**
Finance costs	(117.5)	-	**(117.5)**	-	-	-	-	**(117.5)**
Profit/(loss) before tax	377.1	(94.1)	**283.0**	13.2	26.5	-	56.6	**379.3**
Tax (expense)/benefit	(110.4)	34.0	**(76.4)**	(5.1)	(7.9)	24.4	(16.8)	**(81.8)**
Profit/(loss) after tax	266.7	(60.1)	**206.6**	8.1	18.6	24.4	39.8	**297.5**
Non-controlling interests	(1.2)	-	**(1.2)**	-	-	-	-	**(1.2)**
Net profit/(loss) after tax	265.5	(60.1)	**205.4**	8.1	18.6	24.4	39.8	**296.3**

1 Relating to the results of Australian Tube Mills, Merchandising and US Recycling businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net loss after tax including intercompany transactions are $2.9m and $0.8m respectively.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures. Other items in net profit/(loss) after tax of $4.0m relates to other non-recurring costs.
3 Impairment of property, plant and equipment in Mining Consumables, Steel and Recycling and discontinued operations.
4 Relates to the write-off of outstanding grant receivable under the *Steel Transformation Plan Act 2011* in Steel segment due to the repeal of the carbon tax from 1 July 2014 under the Clean Energy Legislation (Carbon Tax Repeal) Act 2014.
5 Relates to tax adjustments related to prior years and the net impact of Mineral Resource Rent Tax.

ASX RELEASE

19 August 2015

ARRIUM LIMITED FY15 RESULTS[i,ii,iii]

AT A GLANCE

- Underlying NLAT $7 million – impact of the significant decline in iron ore prices
- Statutory NLAT $1,918 million – includes $1,799 million of asset impairments and restructuring costs
- Underlying EBITDA $351 million – in line with guidance
- Statutory EBITDA loss of $90 million
- Mining Consumables – continued strong performance and outlook
  - Underlying EBITDA $211 million[iv], up 13% on FY14
  - Volume growth and stable margins
- Mining – restructured to target lower FY16 average cash breakeven price of ~US$47/dmt[v]
  - FY15 earnings substantially impacted by lower iron ore prices
  - Southern Iron operation 'mothballed'
- Steel – achieved positive EBIT for 2H15
  - EBITDA for FY15 $62 million, up 22% on FY14
  - Further cost reductions and lower scrap prices
- Achieved FY15 targeted cost reductions of ~$60 million – accelerating further reductions
- Net proceeds of ~$730 million from fully underwritten capital raising used to pay down debt
- Asset divestments $203 million – exceeded target of ~$100 million
- Net debt $1,750 million at 77c AUD/USD (FX translation impact ~$320 million compared to 30 June 14)
- Strategic review announced June 2015 – continuing
- No dividend was declared

Arrium Mining Consumables – continued strong performance and outlook

- Underlying EBITDA $211[iv] million, up 13% from $187 million FY14
- Continued strong grinding media demand, particularly in North and South America
- Total grinding media sales volumes up 3% on FY14, North and South America up 6%
- Maintained stable grinding media margins
- ROFE ~14% for Moly-Cop grinding media businesses in North and South America[vi]
- Capacity expansion at Kamloops, Canada commissioned, La Joya, Peru expansion tracking to plan
- Roll out of next generation (NG) SAG ball tracking to plan
- Sale of Wire Ropes business completed March 2015

Arrium Mining – re-design to lower FY16 cash breakeven price to ~US$47/dmt

FY15

- Export hematite shipments 12.5Mt, similar to FY14
- EBITDA $90 million, down from $686 million FY14
- Platts average market index price (62% Fe) US$72/dmt, down 41% from US$123/dmt FY14
- Realised average price US$59/dmt, down 47% from US$111/dmt FY14
- Average loaded cash cost[vii] A$45.7/wmt, down 5% from A$48.2/wmt FY14 (down to A$38/dmt in June)

FY16 target

- Average loaded cash cost[vii] A$35/wmt (US$25/wmt)
- Average total cash cost[viii] (CFR China) A$53/dmt (US$38/dmt)
- 9-10Mtpa export sales from Middleback Ranges operation

Arrium Steel – significant lift in earnings

- Achieved positive EBIT for 2H15 – first time since GFC
  - EBITDA for full year $62 million, up 22% FY14 (2H up $30 million on 1H)
  - Achieved mainly through cost reductions and lower priced scrap feed to EAFs
- Increased leverage to upturn in construction activity (mainly infrastructure) and lower AUD
- Recycling EBITDA $8 million, down from $12 million FY14

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RESULTS COMMENTARY

Group

Mining and materials group, Arrium Limited (ASX:ARI) today reported an underlying net loss after tax (NLAT) of $7 million for the year ended 30 June 2015, down from an underlying net profit after tax (NPAT) of $296 million for the prior financial year. The decrease primarily reflects lower earnings in our Mining business, with average market prices down ~40% on the prior financial year. This more than offset stronger underlying earnings in both the Mining Consumables and Steel businesses.

On a statutory basis, NLAT for the year was $1,918 million. This includes previously announced asset impairments of $1,653 million, restructuring costs of $146 million, as well as tax adjustments and other charges of $113 million, including $70 million related to the write off of the MRRT deferred tax asset in the first half following repeal of the MRRT. The majority of these charges relate to the Mining business.

Underlying EBITDA was $351 million for the year, in line with the guidance range of $335 million to $350 million provided by the company in its 15 June 2015 announcement.

Arrium Managing Director and CEO, Mr Andrew Roberts said: "The year has been a very challenging one. We recorded stronger performances in both Mining Consumables and Steel as expected, however earnings for the company on both an underlying and statutory basis were significantly affected by the deterioration in iron ore prices."

Operations

The average iron ore index price was down from US$123/dmt in FY14 to US$72/dmt, a decrease of 41%. This was the primary driver of Mining's EBITDA for the year declining ~$600 million to $90 million.

We have restructured the Mining business for the low iron ore price environment, and this has lowered our target FY16 average cash breakeven price to ~US$47/dmt for the Middleback Ranges export operation[v]. The business maintains its flexibility to adjust its operations up or down subject to the external environment.

In Mining Consumables, further volume growth, stable margins and foreign currency translation benefits underpinned stronger earnings for the year. Underlying EBITDA was up 13% to $211[iv] million compared to $187 million in FY14. The increase was across both the North America and South America businesses, as well as Australasia business even taking into account the Wire Ropes business that was sold in March 2015.

Demand for grinding media remained strong, underpinned by continued high levels of copper and gold mining in North America and South America. Total grinding media sales for the Americas were up 6% on the prior year. Mining activity levels in South America, although strong, were adversely impacted by operational issues at a number of customer mines and significant adverse weather events.

The capacity expansion at Kamloops, Canada was commissioned at the end of FY15 on time and budget, and the expansion at La Joya, Peru is tracking to plan for completion mid-CY16. We are also tracking to plan on the roll out of the next generation (NG) SAG ball, which is receiving strong customer support. Both initiatives are expected to further strengthen the business' sustainable competitive advantage.

The Mining Consumables business is now well positioned for the expected strong growth in demand that will deliver increasing free cash flow over the medium term.

In Steel, a stronger second half lifted EBITDA for the year to $62 million, an increase of 22% on the prior year. Second half EBITDA was $46 million, up significantly from $16 million in the first half driven by cost reductions and lower prices for steelmaking raw materials, mainly in the fourth quarter. The improvement in earnings includes an important milestone for the business, with EBIT for the second half being a profit, the first time since the GFC.

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Domestic steel demand continued to improve, mainly from the construction sector with sales volumes up 4% on the prior year. Increased residential construction, particularly high rise apartments and large commercial projects in NSW were key contributors to the improvement. Despite daily sales volumes generally trending up through the year, construction activity and total sales volumes in the second half were adversely affected by periods of significant wet weather, particularly in NSW and southern QLD through March and April.

Looking forward, the business expects to benefit from the strong pipeline of construction projects, including major infrastructure projects, as well as from a lower Australian dollar, lower steelmaking raw material prices and further cost reductions. A recent decrease in Asian prices and SE Asian margins are expected to provide some increased pressure on domestic steel margins in the first half of FY16, particularly in the first quarter. However, there is the potential for this to be somewhat offset by anti-dumping benefits and a lower Australian dollar.

Across Arrium we achieved targeted cost savings for the year of ~$60 million, which on an annualised basis is ~$100 million, exceeding our target range of $60 - $90 million. In the ongoing challenging environment further cost reductions and efficiency improvements remain a key priority for the company.

Balance sheet

In May, the company announced that it had refinanced ~A$200 million of debt facilities that were due to mature in FY17. The refinancing is for a four year period.

Proceeds from asset divestments completed during the year totalled $203 million, exceeding our target of ~$100 million.

Net debt at year end was $1,750 million. This includes the translation of US denominated debt at the 30 June 2015 closing exchange rate of $0.77c. The translation impact if compared to the closing exchange rate on 30 June 2014 of $0.94c is ~$320 million.

Strategic Review

In June, the company announced that the extent of the deterioration in iron ore prices had impacted its level of debt, and its expectations around the timing and rate of debt reduction. This was despite significant work to lower costs and improve earnings, as reflected in the stronger FY15 performances in Mining Consumables and Steel, as well as the Mining restructure.

In response, the company announced it was undertaking a strategic review with the aim of strengthening its balance sheet and ability to manage through a period of low iron ore prices. This includes assessing options for achieving an appropriate structure and level of debt, including the potential divestment of significant assets or businesses.

The company is currently progressing work on assessing options related to both its structure and level of debt. Expressions of interest have been received across its portfolio of businesses and assets following the 15 June announcement, with significant interest in our Mining Consumables business. It has been decided to commence a process to understand the nature and level of this interest in order to make an assessment of whether a transaction would be in the interests of shareholders.

No decisions in respect of options have been made by the company at this time. An update on the progress of the Strategic Review will be provided later in the calendar year or earlier, as appropriate.

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RESULTS SUMMARY

Statutory	Jun-15 $m	Jun-14 $m	% Change
Total Operations			
Sales revenue	6,086	7,007	(13%)
EBITDA	(90)	781	(112%)
EBIT	(1,881)	401	(569%)
Net profit/(loss) after tax	(1,918)	205	(1036%)
Operating cash flow	(112)	679	(116%)
Net debt	1,750	1,708	2%
Gearing (net debt / net debt + equity)	40.7%	31.4%	9.3 pp
Earnings per share (weighted average) - cents[1]	(75.2)	14.2	(630%)

Underlying[2]	Jun-15 $m	Jun-14 $m	% Change
Total Operations			
Sales revenue	6,086	7,007	(13%)
EBITDA	351	864	(59%)
EBIT	6	497	(99%)
Net profit after tax	(7)	296	(102%)
Operating cash flow	49	746	(93%)
Leverage Ratio (net debt / EBITDA, 12 month rolling basis)	5.0	2.0	150%
Earnings per share (weighted average) - cents[1]	(0.1)	20.5	(100%)

1 June 2014 statutory and underlying earnings per share has been restated as a result of the Placement and Entitlement Offers in September and October 2014.
2 Details of the reconciliation of non-statutory to statutory results can be found in the Appendix to this document.

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SEGMENT ANALYSIS

ARRIUM MINING CONSUMABLES

- **Underlying EBITDA $211 million[iv], up 13% from $187 million FY14**
- **Continued strong grinding media demand, particularly in North and South America**
- **Total grinding media sales volumes up 3% on FY14, up 6% for North and South America**
- **Maintained stable grinding media margins**
- **ROFE ~14% for Moly-Cop grinding media businesses in North and South America[vi]**
- **Capacity expansion at Kamloops, Canada commissioned, La Joya, Peru tracking to plan**
- **Roll out of next generation (NG) SAG ball tracking to plan**
- **Sale of Wire Ropes business completed March 2015**

Mining Consumables continued to perform well, underpinned by strong and growing demand for grinding media, particularly in North and South America, and stable margins despite volatility in copper, gold and iron ore prices.

Total sales volumes for the segment increased 4% to 1.17 million tonnes, reflecting stronger grinding media sales partly offset by lower sales in Wire Ropes as a result of the sale of the business in March 2015, and lower sales of Rail Wheels as miners continued to focus on reducing maintenance costs and capital expenditure.

Grinding media sales volumes, which account for the majority of sales volumes in Mining Consumables, were up 3% on the prior year. This reflects strong sales growth in North and South America, partly offset by lower volumes in Australasia. Industrial action at the business' largest customer in Indonesia adversely impacted the recovery in grinding media demand following the earlier resolution with the Indonesian Government on its Mineral Value Added Tax.

In North and South America, grinding media sales volumes increased 6% compared to the prior year. Mining activity levels in South America, although strong, were adversely impacted in the second half by some operational issues at a number of customer mines and significant adverse weather events. There was a small adverse impact on sales volumes from the closure or mothballing of a number of iron ore mining operations, mainly in North America. Our sales of grinding media to the iron ore sector across all regions account for approximately 10% of the business' total grinding media volumes.

The business continued to win at least its strong share of the growth in grinding media demand and continued to build on its sustainable competitive advantage, including through the roll out of the next generation (NG) SAG ball, which is tracking to plan and receiving strong customer support. The business is well placed to continue this success through its superior ball quality, supply chain, technical assistance to customers and capacity advantage.

The 120 thousand tonne capacity expansion at Kamloops, Canada was commissioned in June 2015, on time and on budget. The 175 thousand tonne expansion at La Joya, in Sourthern Peru is also progressing to plan for completion mid-2016. The Mining Consumables business is now well positioned for the expected strong growth in demand that will deliver increasing free cash flow over the medium term.

The return on funds employed for grinding media in North and South America was ~14%[vi].

Sales in the Australian rail wheel business remained weak as demand continued to be affected by delayed capital investment and maintenance expenditure in the mining sector.

Underlying EBITDA for Mining Consumables increased 13% on the prior year, from $187 million to $211 million[iv] due primarily to stronger volumes, stable margins and foreign currency translation benefits which more than offset the impact of falling CRUspi and scrap prices. Underlying EBIT was stronger in North America, South America and Australasia. In Australasia, cost savings related to the restructure of the Waratah, Newcastle facility more than offset the impact of lower sales volumes.

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ARRIUM MINING

FY15

- **Export hematite shipments 12.5Mt, similar to FY14**
- **EBITDA $90 million, down from $686 million FY14**
- **Platts average market index price (62% Fe) US$72/dmt, down 41% from US$123/dmt FY14**
- **Realised average price US$59/dmt, down 47% from US$111/dmt FY14**
- **Average loaded cash cost[vii] A$45.7/wmt, down 5% from A$48.2/wmt FY14**

FY16 target

- **Average loaded cash cost[vii] A$35/wmt (US$25/wmt)**
- **Average total cash cost[viii] (CFR China) A$53/dmt (US$38/dmt)**
- **9-10Mtpa export sales from Middleback Ranges operation**

The Mining business continued to perform well operationally, however earnings were lower by ~$600m compared to FY14 due to significantly lower iron ore prices. The Platts (62% Fe) average market price for the year fell 41% from US$123/dmt to US$72/dmt.

Revenue decreased 43% to $889 million, from $1,569 million in the prior year due to lower prices, with export sales volumes similar to the prior year at 12.5Mt. The higher cost Southern Iron operation was mothballed in March 2015, with the last available ores from Southern Iron sold in June.

Arrium's average price for the year was US$59/dmt CFR, down 47% from US$111/dmt for the prior year. In Australian dollars, the average price for the year was $69.7/dmt. The average loaded cash cost for the year was A$45.7/wmt, down from A$48.2/wmt[vii]. In June 2015 the average loaded cash cost was A$38/dmt.

EBITDA for the year was $90 million, down from $686 million for the prior year due primarily to the impact of lower iron ore prices.

In January 2015, the company announced it was re-designing the Mining business for the low iron ore price environment prevailing at that time, including targeting a return to a cash generative position in FY16.

The subsequent deterioration in actual and forecast iron ore prices led to the company announcing in June 2015 that it was undertaking further restructuring aimed at providing the optimal cash outcome over the business over the medium term. This included targeting an average cash breakeven price for FY16 of ~US$47/dmt (Platts 62% Fe CFR China) for the Middleback Ranges export operation[v].

The business is now targeting an average loaded cash cost of ~US$25/wmt (~A$35/wmt) and a total CFR into China cash cost including capital expenditure of US$42/dmt (~A$59/dmt) in FY16. This includes a significant reduction in planned capital expenditure to US$4/t (~A$6/t), down ~A$70 million from its prior FY16 target of A$13/t. Targeted sales for FY16 are 9 – 10 million tonnes, with grade for these sales expected to average ~58.5% Fe. Further reductions in capital expenditure are planned post FY16, decreasing the business' capital expenditure plan for FY16 – FY19 by ~$140 million.

The reduction in capital expenditure is expected to result in sales volumes reducing to approximately 6 – 8Mtpa in FY17 – FY19[ix], however the business retains the flexibility to increase capital expenditure (exploration, capitalised waste and stripping) and sales volumes subject to the external environment.

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ARRIUM STEEL

- **Achieved EBIT profit for 2H15 – first time since GFC**
    - **Full year EBITDA $62 million, up 22% FY14 (2H up $30 million on 1H)**
    - **Achieved mainly through cost reductions and lower priced scrap feed to EAFs**
- **Increased leverage to upturn in construction activity (mainly infrastructure) and lower AUD**
- **Recycling EBITDA $8 million, down from $12 million FY14**

The business achieved an improvement in earnings, including a second half EBIT profit for the first time since the GFC. The stronger second half performance was driven by increased sales volumes, cost reductions and lower prices for steelmaking raw materials, mainly in the fourth quarter.

Domestic steel demand continued to improve, mainly from the construction sector with domestic sales volumes for the year up 4% on the prior year. The increase was primarily related to the wholesale and steel in concrete businesses. Increased residential construction, particularly high rise apartments and increased large commercial projects in NSW were key contributors to the improvement. Sales in the ASI retail businesses were down on the prior year due to weaker demand from the resource sector.

Across the Steel business, daily sales volumes generally trended up through the year, however construction activity and total sales volumes in the second half were adversely affected by periods of significant wet weather, particularly in NSW and Southern Queensland through March and April.

A number of the planned large government funded infrastructure projects are now commencing. There is a strong pipeline of infrastructure projects scheduled for construction over the medium term and the business remains well positioned to benefit from the expected increase in steel demand.

Sales revenue for the year was flat compared to the prior year at $2,870 million, as increased volumes were offset by a lower average selling price.

In the first half, the earnings benefit from improved sales volumes, a lower Australian dollar and further cost reductions was more than offset by the impact of historic low South East Asian steel margins on domestic margins. South East Asian steel margins started to lift towards the end of the half, supported by lower scrap prices. This benefited the business' domestic prices and margins, largely in the fourth quarter due to the approximate 3 month price lag. Asian Steel prices and margins have declined since, which is expected to impact the first half of FY16. Anti-dumping benefits and a lower Australian dollar have the potential to offset some of this impact.

Second half EBITDA was $46 million, up significantly from $16 million in the first half. The stronger second half lifted EBITDA for the year to $62 million, an increase of 22% on the prior year's EBITDA of $51 million.

In Recycling, EBITDA was $8 million, down from $12 million in the prior year. Cost and operational improvements, together with stronger earnings in the non-ferrous business were insufficient to offset the impact of significantly weaker ferrous margins and volumes, particularly as ferrous prices fell sharply towards the end of the first half and reduced further in the second half.

DIVIDEND

The Board determined not to declare a dividend for the year ended 30 June 2015.

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OUTLOOK

In Mining Consumables, we expect continued strong demand for grinding media, particularly in North and South America underpinned by high levels of copper and gold production and deteriorating head grades. There is a strong pipeline of scheduled new mining projects and expansions, and the company estimates that demand for grinding media will grow at the rate of ~7% CAGR between FY15 and FY20 for North and South America. The business is further strengthening its sustainable competitive advantage in grinding media with capacity expansions and the ongoing roll out of the next generation (NG) SAG ball. The business expects to capture at least its strong market share of the estimated growth. Further earnings growth is expected to be delivered in FY16 from increased volumes and on-going stable margins. In rail wheels, improved capital sales and greater maintenance wheel demand is expected to lift sales volumes in FY16.

In Mining, we expect demand for seaborne iron ore to remain strong, but for FY16 prices to remain under pressure from the supply/demand balance and negative sentiment. The business has been re-structured for the low iron ore price environment, including lowering the target FY16 average cash breakeven price to ~US$47/dmt for the Middleback Ranges export operation[v], while maintaining its flexibility to adjust its operations up or down subject to the external environment. Export sales for iron ore are expected to be 9 – 10Mt for FY16 with an average grade of ~58.5%. Approximately 85% of volumes currently under term contracts with customers.

In Steel, we expect domestic construction activity to continue to improve mainly through stronger activity levels in NSW. In addition to increased construction of high rise residential apartments and large commercial projects, sales volumes are expected to benefit from increasing activity in government funded infrastructure projects.

Earnings in the first half are expected to benefit from improvements to key drivers including increased sales volumes, lower scrap costs and further reductions to the business' cost base. However, the lagged impact of a decrease in Asian steel prices and margins in the fourth quarter of FY15 will impact first half FY16 earnings, particularly in the first quarter.

Arrium Group underlying earnings for FY16 are expected to benefit from volume growth in Mining Consumables, restructuring of the Mining business[x], volume growth and low raw material pricing in Steel, as well as from further significant cost reductions across the Group. We are targeting additional annualised Group cost reductions of at least $60 million in FY16. External factors such as iron ore pricing, South East Asian Steel prices and margins and movements in FX are expected to continue to be key influencers of earnings.

ENDS

Further information about Arrium Limited can be accessed via the website **www.arrium.com**.

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i Except as otherwise expressed, references in this document to net profit/loss after tax refer to net profit/loss attributable to equity holders of the parent.

ii Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's audit report on the full year financial report. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations. All balance sheet items are based on statutory financial information. Details of the reconciliation of non-statutory to statutory results can be found attached to this document. The ASX Release forms part of a package of information about the Group's Full Year Financial Results for the year ended 30 June 2015 and should be read in conjunction with the other 2015 Full Year financial results materials including the 2015 Full Year Results Presentation and the Full Year Financial Report for the 12 months to 30 June 2015.

iii Except for the Mining Consumables segment, segment results referred to throughout this release are those reported in the 2015 Full Year Financial Report. They are equivalent to segment underlying results for continuing businesses in that segment. The Mining Consumables Segment results represent total operations of that segment, including continuing and discontinued operations. Details of the reconciliation of the Mining Consumables results reported in this release and those reported in the 2015 Full Year Financial Report can be found attached to this document.

iv Includes Wire Ropes up to its sale in March 2015

v For MBR hematite export business. Based on FX at US$0.72, total CFR China cash cost US$38/dmt, adjusted for targeted average realised price as a percentage of Platts 62% index CFR China i.e. US$38/0.89 plus capex ~US$4/t = ~$US47/dmt. Excludes working capital movements, restructuring and other one-off costs.

vi Excludes capacity expansions prior to their commissioning.

vii Includes mining, crushing, beneficiation, rail, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

viii Includes loaded cash cost, royalties, sales and marketing and corporate costs, adjustments for moisture content and freight. Excludes capitalised costs (infrastructure, pre-stripping and mining licences) and depreciation and amortisation charges in respect of those costs.

ix Wholly underpinned by MBR Hematite Ore Reserves (1Mt Proved and 38Mt Probable) and 2Mt of Magnetite concentrate derived from MBR Magnetite Ore Reserves (61.9Mt) declared in Arrium's FY15 Reserves and Resources Statement.

x Based on an FY16 average iron ore price of US$53/dmt and USD:AUD exchange rate of $0.72.

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Year ended 30 June 2015	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Impairment[2]	Tax adjustments[3]	Restructuring costs & Other items[4]	**Total Operations Underlying**
Sales revenue	5,896.3	189.3	**6,085.6**	-	-	-	**6,085.6**
Other revenue/income	90.5	3.3	**93.8**	-	-	-	**93.8**
Total revenue/income	5,986.8	192.6	**6,179.4**	-	-	-	**6,179.4**
Gross profit/(loss)	443.5	(67.4)	**376.1**	-	-	-	**376.1**
EBITDA	10.4	(100.4)	**(90.0)**	205.9	-	235.0	**350.9**
Depreciation, amortisation and impairment	(1,755.9)	(34.8)	**(1,790.7)**	1,445.9	-	(0.6)	**(345.4)**
EBIT	(1,745.5)	(135.2)	**(1,880.7)**	1,651.8	-	234.4	**5.5**
Finance costs	(93.2)	-	**(93.2)**	-	-	2.6	**(90.6)**
Profit/(loss) before tax	(1,838.7)	(135.2)	**(1,973.9)**	1,651.8	-	237.0	**(85.1)**
Tax (expense)/benefit	28.0	28.5	**56.5**	1.0	102.2	(80.5)	**79.2**
Profit/(loss) after tax	(1,810.7)	(106.7)	**(1,917.4)**	1,652.8	102.2	156.5	**(5.9)**
Non-controlling interests	(0.8)	-	**(0.8)**	-	-	-	**(0.8)**
Net profit/(loss) after tax	(1,811.5)	(106.7)	**(1,918.2)**	1,652.8	102.2	156.5	**(6.7)**

1 Relating to the results of Australian Tube Mills, Merchandising, US Recycling businesses and Ropes. Excludes intercompany transactions. Statutory EBITDA and statutory net loss after tax including intercompany transactions are $13.8m and $46.1m respectively.
2 Comprising inventory write down in Mining and impairment of intangible assets, mine development expenditures and property, plant and equipment in Mining, Mining Consumables, Steel and Recycling and discontinued operations.
3 Prior period tax adjustments and write off of deferred tax assets including the impact of the repeal of the Mineral Resource Rent Tax.
4 Related to redundancies and other direct expenditure associated with business restructures and organisational changes. Other items in net profit/(loss) after tax of $10.7m includes break fees associated with early termination of cross currency and interest rate swaps and other non-recurring costs.

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MINING AND MATERIALS

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Year ended 30 June 2014	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	Continuing operations	Discontinued operations[1]	**Total Operations Statutory**	Impairment[3]	Steel Transformation Plan[4]	Tax adjustments[5]	Restructuring costs & Other items[2]	**Total Operations Underlying**
Sales revenue	6,502.0	504.6	**7,006.6**	-	-	-	-	**7,006.6**
Other revenue/income	111.8	13.7	**125.5**	-	-	-	-	**125.5**
Total revenue/income	6,613.8	518.3	**7,132.1**	-	-	-	-	**7,132.1**
Gross profit/(loss)	1,211.3	(31.3)	**1,180.0**	-	-	-	-	**1,180.0**
EBITDA	868.7	(87.6)	**781.1**	-	26.5		56.6	**864.2**
Depreciation, amortisation, and impairment	(374.1)	(6.5)	**(380.6)**	13.2	-	-	-	**(367.4)**
EBIT	494.6	(94.1)	**400.5**	13.2	26.5	-	56.6	**496.8**
Finance costs	(117.5)	-	**(117.5)**	-	-	-	-	**(117.5)**
Profit/(loss) before tax	377.1	(94.1)	**283.0**	13.2	26.5	-	56.6	**379.3**
Tax (expense)/benefit	(110.4)	34.0	**(76.4)**	(5.1)	(7.9)	24.4	(16.8)	**(81.8)**
Profit/(loss) after tax	266.7	(60.1)	**206.6**	8.1	18.6	24.4	39.8	**297.5**
Non-controlling interests	(1.2)	-	**(1.2)**	-	-	-	-	**(1.2)**
Net profit/(loss) after tax	265.5	(60.1)	**205.4**	8.1	18.6	24.4	39.8	**296.3**

1 Relating to the results of Australian Tube Mills, Merchandising and US Recycling businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net loss after tax including intercompany transactions are $2.9m and $0.8m respectively.
2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures. Other items in net profit/(loss) after tax of $4.0m relates to other non-recurring costs.
3 Impairment of property, plant and equipment in Mining Consumables, Steel and Recycling and discontinued operations.
4 Relates to the write-off of outstanding grant receivable under the *Steel Transformation Plan Act 2011* in Steel segment due to the repeal of the Carbon Tax from 1 July 2014 under the Clean Energy Legislation (Carbon Tax Repeal) Act 2014.
5 Relates to tax adjustments related to prior years and the net impact of Mineral Resource Rent Tax.

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SEGMENT

Year ended 30 June	Mining Consumables[1]			Mining			Steel			Recycling		
$ millions	2015	2014	% Chg	2015	2014	% Chg	2015	2014	% Chg	2015	2014	% Chg
Total Revenue/Income	**1,590.5**	1,538.1	3.4%	**888.5**	1,568.6	(43.4%)	**2,869.6**	2,875.2	(0.2%)	**1,072.5**	1,132.2	(5.3%)
EBITDA	**210.5**	187.1	12.5%	**90.2**	685.9	(86.8%)	**61.8**	50.8	21.7%	**8.3**	12.1	(31.4%)
EBIT	**159.9**	139.8	14.4%	**(97.4)**	481.3	(120.2%)	**(33.2)**	(52.8)	37.1%	**(2.4)**	1.3	(284.6%)
Sales Margin (EBIT)	**10.1%**	9.1%	1pts	**(11.0%)**	30.7%	-42pts	**(1.2%)**	(1.8%)	0.6pts	**(0.2%)**	0.1%	-0.3pts
Assets	**2,561.7**	2,438.6	5.0%	**909.2**	2,161.8	(57.9%)	**1,868.6**	2,109.7	(11.4%)	**318.1**	393.9	(19.2%)
Funds Employed	**2,171.3**	2,024.4	7.3%	**457.5**	1,644.7	(72.2%)	**1,289.9**	1,544.1	(16.5%)	**230.4**	296.9	(22.4%)
Return on Funds Employed (%)	**7.6%**	6.8%	0.8pts	**(9.3%)**	30.0%	-39.3pts	**(2.3%)**	(3.2%)	0.9pts	**(0.9%)**	0.4%	-1.3pts
Employees (number)	**1,834**	2,005	(8.5%)	**467**	552	(15.4%)	**4,880**	5,116	(4.6%)	**666**	641	3.9%

1. Mining Consumables Segment results represent total operations of that segment, including continuing and discontinued operations. Details of the reconciliation of the Mining Consumables results reported in this release and those reported in the 2015 Full Year Financial Report can be found attached to this document.

Year ended 30 June	2015			2014		
Mining Consumables	Continuing operations $m	Discontinued operations $m	Total operations $m	Continuing operations $m	Discontinued operations $m	Total operations $m
Total Revenue/Income	1,544.9	45.6	**1,590.5**	1,477.9	60.2	**1,538.1**
EBITDA	202.2	8.3	**210.5**	172.1	15.0	**187.1**
EBIT	153.0	6.9	**159.9**	126.8	13.0	**139.8**
Sales Margin (EBIT)	9.9%	15.1%	**10.1%**	8.6%	21.6%	**9.1%**
Assets[1]	2,561.4	0.3	**2,561.7**	-	-	**2,438.6**
Capital expenditure[1]	81.2	1.1	**82.3**	-	-	**70.6**

1. In accordance with *AASB 5 Non-current Assets Held for Sale and Discontinued Operations,* assets , liabilities and capital expenditure have not been restated for prior periods.

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FINANCIAL RATIOS

YEAR ENDED

$A millions	FY15	FY14	FY13	FY12	FY11	FY10	FY09	FY08	FY07	FY06	FY15-14 % Change
Group Results [1]											
Sales revenue	6,085.6	7,006.6	6,841.0	7,594.5	7,133.0	6,204.6	7,241.5	7,434.3	4,300.6	4,004.6	(13.1%)
Other revenue/income	93.8	125.5	113.9	121.8	44.2	56.3	66.3	50.5	33.9	39.0	(25.3%)
Total income	6,179.4	7,132.1	6,954.9	7,716.3	7,177.2	6,260.9	7,307.8	7,484.8	4,334.5	4,043.6	(13.4%)
Gross profit	376.1	1,180.0	1,051.7	1,197.7	1,484.6	1,234.0	1,587.5	1,681.2	837.2	798.7	(68.1%)
EBITDA	350.9	864.2	624.8	581.0	642.0	617.6	661.2	807.7	436.1	396.7	(59.4%)
Depreciation, amortisation & impairment	(345.4)	(367.4)	(316.1)	(221.4)	(213.5)	(203.9)	(199.5)	(194.9)	(96.2)	(94.0)	(6.0%)
EBIT	5.5	496.8	308.7	359.6	428.5	413.7	461.7	612.8	339.9	302.7	(98.9%)
Finance costs	(90.6)	(117.5)	(119.7)	(121.1)	(101.1)	(89.2)	(172.2)	(159.6)	(55.8)	(56.7)	(22.9%)
Profit before tax	(85.1)	379.3	189.0	238.5	327.4	324.5	289.5	453.2	284.1	246.0	(122.4%)
Tax benefit/(expense)	79.2	(81.8)	(25.0)	(37.5)	(84.8)	(81.6)	(64.1)	(128.0)	(74.7)	(60.8)	(196.8%)
Profit after tax	(5.9)	297.5	164.0	201.0	242.6	242.9	225.4	325.2	209.4	185.2	(102.0%)
Non-controlling interests	(0.8)	(1.2)	(2.1)	(5.9)	(7.2)	(2.3)	(10.1)	(10.2)	(11.9)	(13.6)	(33.3%)
Net profit after tax	(6.7)	296.3	161.9	195.1	235.4	240.6	215.3	315.0	197.5	171.6	(102.3%)
Non-trading items, net of tax											
- Restructuring costs & other items	*(156.5)*	*(58.4)*	*(64.3)*	*(56.2)*	*(20.1)*	*6.5*	*(45.8)*	*(58.1)*	-	-	168.0%
- Impairment	*(1,652.8)*	*(8.1)*	*(895.3)*	*(125.4)*	*(1.5)*	-	*(1.0)*	*(12.0)*	-	-	20304.9%
- Tax adjustments	*(102.2)*	*(24.4)*	*96.6*	*44.2*	*16.5*	*11.3*	*61.0*	-	*9.5*	*15.9*	318.9%
Net profit after tax - statutory	(1,918.2)	205.4	(701.1)	57.7	230.3	258.4	229.5	244.9	207.0	187.5	(1033.9%)
Total assets	6,241.1	8,002.3	8,168.8	8,931.4	8,343.3	7,067.7	6,933.1	7,291.5	3,569.5	3,138.8	(22.0%)
Total liabilities	3,686.2	4,271.4	4,517.6	4,430.8	3,837.6	2,575.0	2,596.8	3,862.1	1,919.5	1,637.2	(13.7%)
Total equity	2,554.9	3,730.9	3,651.2	4,500.6	4,505.7	4,492.7	4,336.3	3,429.4	1,650.0	1,501.6	(31.5%)
Net debt	1,750.2	1,707.7	2,114.9	2,143.3	1,728.4	963.7	1,223.9	1,947.2	769.8	638.8	2.5%
Funds employed	4,305.1	5,438.6	5,766.1	6,643.9	6,234.1	5,456.4	5,560.2	5,376.6	2,419.8	2,140.4	(20.8%)
Number of shares on issue (millions)	2,937.3	1,366.2	1,355.4	1,345.7	1,338.1	1,331.6	1,325.8	878.7	575.7	569.3	115.0%
Operating cash flow	48.7	746.1	658.5	519.5	463.1	653.2	370.8	522.2	515.3	417.8	(93.5%)
Free cash flow	(375.6)	310.8	136.5	68.8	225.7	480.0	183.2	215.3	157.4	203.4	(220.8%)
Capital and investment expenditure	424.3	435.3	522.0	719.0	1,244.2	206.8	190.9	2,475.0	360.5	227.6	(2.5%)
Return on equity % (PAT / average total equity)	(0.2%)	8.1%	4.0%	4.5%	5.4%	5.5%	5.8%	9.5%	13.3%	12.8%	(8.3 pp)
Return on funds employed % (EBIT / average funds employed)	0.1%	8.9%	5.0%	5.6%	7.3%	7.5%	8.4%	11.4%	14.9%	14.5%	(8.8 pp)
Sales margin %	0.1%	7.1%	4.5%	4.7%	6.0%	6.7%	6.4%	8.2%	7.9%	7.6%	(7.0 pp)
Gross profit margin %	6.2%	16.8%	15.4%	15.8%	20.8%	19.9%	21.9%	22.6%	19.5%	19.9%	(10.7 pp)
Earnings per share (cents)[2]	(0.1)	20.5	12.2	14.6	17.6	18.2	21.2	34.9	34.7	30.5	(100.5%)
Dividends per share (cents)	-	9.0	5.0	6.0	10.0	11.0	10.0	21.5	18.5	17.0	(9.0 ¢)
Dividend payout ratio %	0.0%	41.4%	41.8%	41.4%	56.8%	60.9%	49.2%	59.9%	69.6%	56.3%	(41.4 pp)
Gearing %	40.7%	31.4%	36.7%	32.3%	27.7%	17.7%	22.0%	36.2%	31.8%	29.8%	9.3 pp
Interest cover (times EBITDA, 12m rolling basis)	3.9	7.4	5.0	4.5	6.4	6.9	3.8	4.5	6.1	6.5	(3.5 times)
Leverage Ratio (net debt/EBITDA,12m rolling basis) (underlying)	5.0	2.0	3.4	3.7	2.7	1.6	1.9	2.4	1.8	1.6	152.4%
Leverage Ratio (net debt/EBITDA,12m rolling basis) (statutory)	(19.4)	2.2	4.0	4.3	2.8	1.5	2.1	2.7	1.8	1.6	(989.5%)
Net tangible assets per share ($)	0.27	1.29	1.19	1.20	1.39	1.77	1.66	1.53	2.38	2.15	(78.8%)
Employees	8,662	9,269	10,078	11,007	11,598	10,598	11,104	11,678	7,526	7,527	(6.5%)
Sales per employee ($000s)	703	756	679	690	615	585	652	637	571	532	(7.0%)
Iron ore tonnes sold (Mt)	12.48	12.47	8.28	6.29	6.04	6.03	5.07	4.46			0.1%
Raw steel production (Mt)	2.43	2.36	2.50	2.50	2.32	2.15	2.03	2.70	1.73	1.63	3.0%
Steel tonnes despatched (Mt)	3.29	3.20	3.26	3.31	3.19	2.75	2.76	3.53	2.28	2.27	2.8%

1 Unless otherwise stated, certain financial measures referred to in this document, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's review report on the full year financial statements. However, KPMG have undertaken a set of procedures to agree the financial information in this document to underlying information supplied by the Company. The directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations. Details of the reconciliation of non-statutory to statutory results can be found in the Appendix to this document. All balance sheet items are based on statutory financial information.

2 Earnings per share for June 2014 has been restated as a result of the Placement and Entitlement Offers in September and October 2014. Previous periods have not been restated.

Pre 2006 financial information can be found on Arrium's website.

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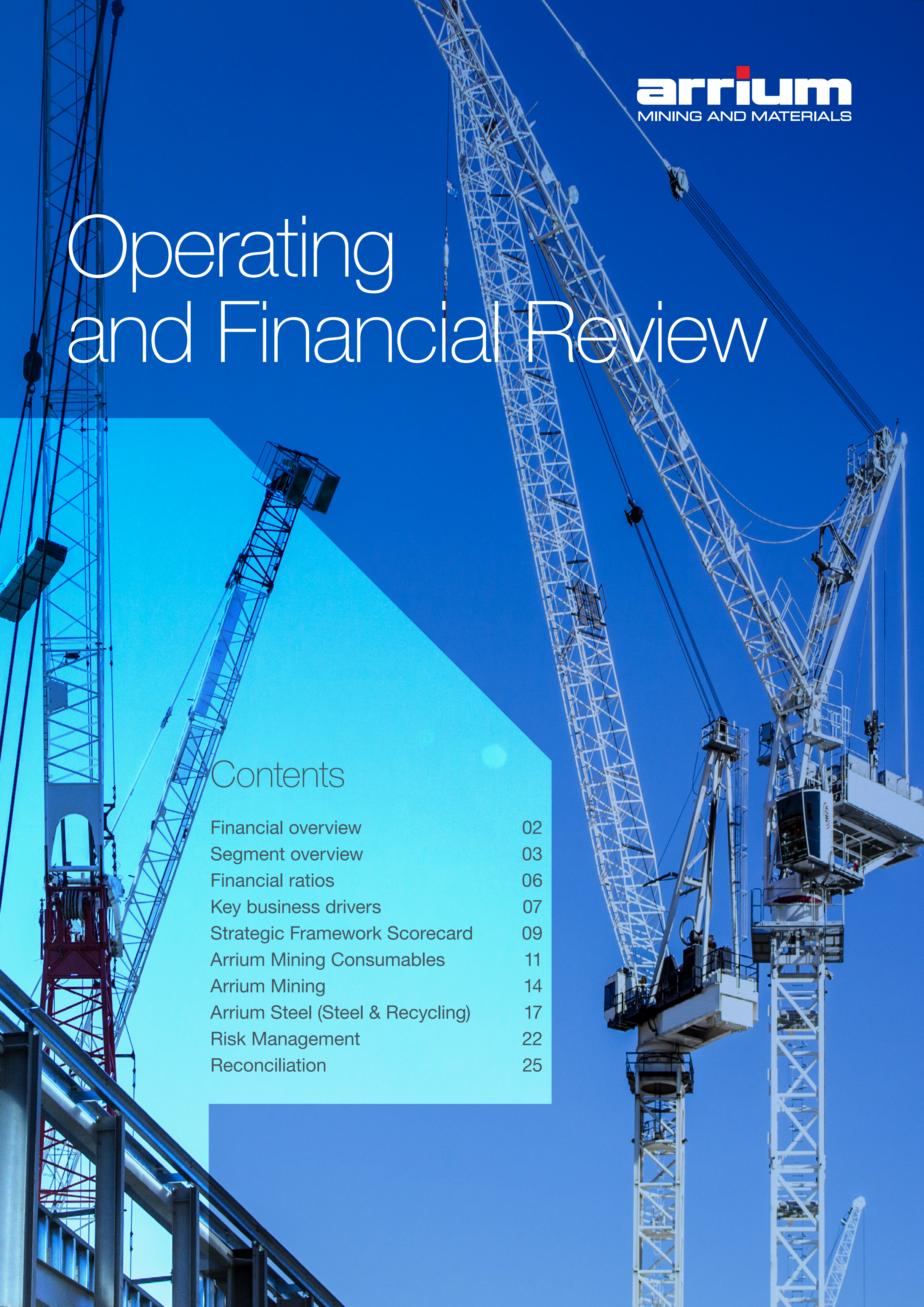

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MINING AND MATERIALS

Operating and Financial Review

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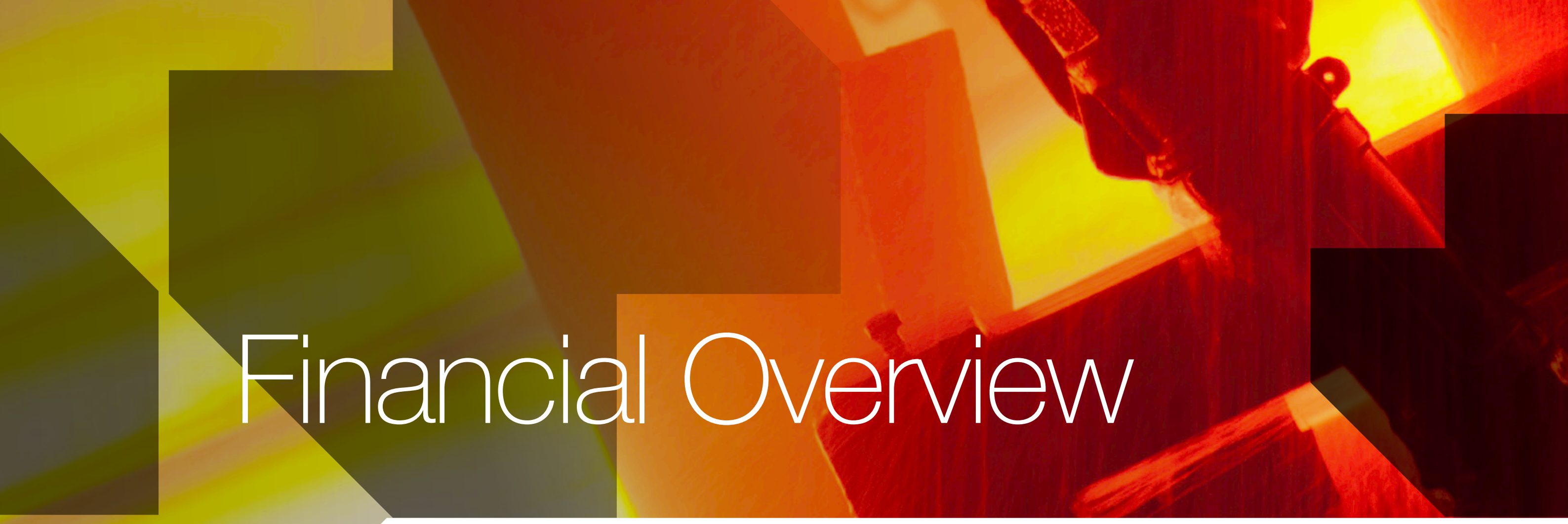


Financial Overview

Earnings and cash flow were significantly impacted by a 40% reduction in iron ore prices

The financial results for the year were substantially impacted by ~40% decline in the average market price for iron ore. This led to an approximate $600 million reduction in EBITDA in Mining, as well as significant asset impairment charges and restructuring costs as the business was reset for the lower iron ore price environment. The extent of the deterioration in iron ore prices and earnings in Mining more than offset stronger performances in Mining Consumables and Steel.

The company recorded an underlying net loss after tax (NLAT) for the year of $7 million[1,2], compared to a profit of $296 million for the prior year. On a statutory basis, NLAT was $1,918 million after including asset impairments of $1,653 million, restructuring costs of $146 million, tax adjustments and other charges of $113 million, including $70 million related to the write off of the MRRT deferred tax asset in the first half following its repeal. The majority of these charges relate to the Mining business. A statutory net profit after tax of $205 million was delivered in the prior year.

Sales revenue for the year was $6,086 million, down 13% on the prior year primarily due to significantly lower iron ore prices. The Platts (62% Fe) average market price for the year fell 41% to US$72/dmt, compared to US$123/dmt for the prior year.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was $351 million, down 59% or $513 million from $864 million for the prior year due to lower iron ore prices, partly offset by improved underlying EBITDA in Mining Consumables and Steel.

The sales margin for the year decreased to 0.1% from 7.1% in the prior year due to the impact of significantly lower iron ore prices.

Finance costs were $91 million, down from $118 million in the prior year reflecting a lower average level of debt.

Underlying operating cash flow for the year was $49 million, down from $746 million in the prior year primarily due to the impact of lower iron ore prices on cash generation in Mining. In response to the deterioration in the external environment in the first half, the company raised ~$730 million from a fully underwritten capital raising. This was used to pay down debt and strengthen the balance sheet. The company also realised $203 million of proceeds from its ongoing divestment program.

Net debt at the end of the financial year was $1,750 million and includes the impact of lower iron ore prices on cash earnings, cash costs in the year related to restructuring and the mothballing of the Southern Iron mining operation and foreign currency translation, partly offset by proceeds from the capital raising, divestments and cash generation in Mining Consumables and Steel. The translation impact if compared to the closing exchange rate on 30 June 2014 is ~$320 million.

Gearing increased 9.3 percentage points to 40.7%. This includes approximately 10.3 percentage points from asset impairment charges for the year. Underlying interest cover was 3.9 times.

Total liabilities decreased 14% compared to the previous financial year, to $3,686 million largely reflecting the use of capital raising proceeds to pay down debt.

The company successfully refinanced ~A$200 million of debt facilities maturing in FY17. The refinancing is for a 4 year period. The average interest rate for total drawn and undrawn funding is approximately 4%.

Total assets at year end were $6,241 million, down 22% on the prior year largely reflecting divestments and asset impairments made during the year.

1 Unless otherwise stated, financial measures in the Operating and Financial Review are underlying financial measures. A reconciliation of non-statutory to statutory results can be found on page 25.

2 Except as otherwise expressed, references in this document to net profit/loss after tax refer to net profit/loss attributable to equity holders of the parent.

Segment Overview[1]

Arrium Mining Consumables

Arrium Mining Consumables

Mining Consumables continued to perform well, underpinned by strong and growing demand for grinding media, particularly in North and South America, and stable margins despite volatility in copper, gold and iron ore prices.

Total sales volumes for the segment increased 4% to 1.17 million tonnes, reflecting stronger grinding media sales partly offset by lower sales from Wire Ropes as a result of the sale of the business in March 2015, and lower sales of Rail Wheels as mining customers continued to focus on reducing maintenance costs and capital expenditure.

Grinding media sales volumes, which account for the majority of sales volumes in Mining Consumables, were up 3% on the prior year. This reflects strong sales growth in North and South America, partly offset by lower volumes in Australasia. Industrial action at the business' largest customer in Indonesia adversely impacted the recovery in grinding media demand following the earlier resolution with the Indonesian Government on its Mineral Value Added Tax.

In North and South America, grinding media sales volumes increased 6% compared to the prior year. Mining activity levels in South America, although strong, were adversely impacted by some operational issues at a number of customer mines and significant adverse weather events. There was a small adverse impact on sales volumes from the closure or mothballing of a number of iron ore mining operations, mainly in North America. Our sales of grinding media to the iron ore sector across all regions account for less than 10% of the business' total grinding media volumes.

The business continued to win a strong share of grinding media demand and continued to build on its sustainable competitive advantage, including through the roll out of the next generation (NG) SAG ball, which is receiving broad customer support. The business is well placed to continue this success through its superior ball quality, supply chain, technical assistance to customers and capacity advantage.

The 120 thousand tonne capacity expansion at Kamloops, Canada was commissioned in June 2015, on time and on budget. The 175 thousand tonne expansion at La Joya, in Southern Peru is also progressing to plan for completion mid CY 2016. The Mining Consumables business is now well positioned for the expected strong growth in demand that will deliver increasing free cash flow over the medium term.

The return on funds employed for grinding media in North and South America was ~14%, excluding capacity expansions prior to their commissioning.

Sales in the Australian Rail Wheel business remained weak as demand continued to be affected by delayed capital investment and maintenance expenditure in the mining sector.

Underlying EBITDA for Mining Consumables, including Wire Ropes, increased 13% on the prior year, from $187 million to $211 million due primarily to stronger volumes, stable margins and foreign currency translation benefits which more than offset the impact of falling CRUspi and scrap prices. Underlying EBIT was stronger in North America, South America and Australasia. In Australasia, cost savings related to the restructure of the Waratah, Newcastle facility more than offset the impact of lower sales volumes.

1 Except for the Mining Consumables segment, segment results referred to throughout the Operating and Financial Review are those reported in the 2015 Full Year Financial Report. They are equivalent to segment underlying results for continuing businesses in that segment. The Mining Consumables Segment results represent total operations of that segment, including continuing and discontinued operations. Details of the reconciliation of the Mining Consumables results reported in the Operating and Financial Review and those reported in the 2015 Full Year Financial Report can be found on pages 26.

Segment Overview (continued)

Arrium Mining

Arrium Mining

The Mining business continued to perform well operationally, however earnings were lower by ~$600m compared to FY14 due to significantly lower iron ore prices. The Platts (62% Fe) average market price for the year fell 41% from US$123/dmt to US$72/dmt.

Revenue decreased 43% to $889 million, from $1,569 million in the prior year due to lower prices, with export sales volumes flat compared to the prior year at 12.5Mt. The higher cost Southern Iron operation was mothballed in March 2015, with the last available ores from Southern Iron sold in June.

Arrium's average price for the year was US$59/dmt CFR, down 47% from US$111/dmt for the prior year. In Australian dollars, the average price for the year was $70/dmt. The average loaded cash cost for the year was A$45.7/wmt, down from A$48.2/wmt. In June 2015 the average loaded cash cost was A$38/dmt.

EBITDA for the year was $90 million, down from $686 million for the prior year due primarily to the impact of lower iron ore prices.

In January 2015, the company announced it was re-designing the Mining business for the low iron ore price environment prevailing at that time, including targeting a return to a cash generative position in FY16.

The subsequent deterioration in actual and forecast iron ore prices led to the company announcing in June 2015 that it was undertaking further restructuring aimed at providing the optimal cash outcome for the business over the medium term. This included targeting an average cash breakeven price for FY16 of ~US$47/dmt (Platts 62% Fe CFR China) for the Middleback Ranges export operation[1].

The business is now targeting an average loaded cash cost[2] of ~US$25/wmt (~A$35/wmt) and a total CFR into China cash cost including capital expenditure of US$42/dmt (~A$59/dmt) in FY16. This includes a significant reduction in planned capital expenditure to US$4/t (~A$6/t), down ~A$70 million from its prior FY16 target of A$13/t. Targeted sales for FY16 are 9 – 10 million tonnes, with grade for these sales expected to average ~58.5% Fe. Further reductions in capital expenditure are planned post FY16, decreasing the business' capital expenditure plan for FY16 – FY19 by ~$140 million.

The reduction in capital expenditure is expected to result in sales volumes reducing to approximately 6 – 8Mtpa in FY17 – FY19 based on exiting ore reserves[3], however the business retains the flexibility to increase capital expenditure (exploration, capitalised waste and stripping) and sales volumes subject to the external environment.

1 For MBR hematite export business. Assumes FY16 average USD:AUD FX of US$0.72, total CFR China cash cost US$38/dmt, adjusted for targeted average realised price as a percentage of Platts 62% index CFR China i.e. US$38/0.89 plus capex ~US$4/t = ~US$47/dmt. Excludes working capital movements, restructuring and other one-off costs.

2 Includes mining, crushing, beneficiation, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences), depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

3 Underpinned by MBR Hematite Ore Reserves (1MT Proved and 38Mt Probable) and 2Mt of Magnetite concentrate derived from the Magnetite Ore Reserves (61.9Mt) declared in Arrium's FY15 Reserves & Resources Statement.

Arrium Steel

Arrium Steel

The business achieved an improvement in earnings, including a second half underlying EBIT profit for the first time since the GFC. The stronger second half performance was driven by cost reductions and lower prices for steelmaking raw materials, mainly in the fourth quarter.

Domestic steel demand continued to improve, mainly from the construction sector with sales volumes for the year up 4% on the prior year. The increase was primarily related to the wholesale and steel in concrete businesses. Increased residential construction, particularly high rise apartments and increased large commercial projects in NSW were key contributors to the improvement.

Across the Steel business, daily sales volumes generally trended up through the year, however construction activity and total sales volumes in the second half were adversely affected by periods of significant wet weather, particularly in NSW and Southern Queensland through March and April.

A number of the planned large government funded infrastructure projects are now commencing. There is a strong pipeline of infrastructure projects scheduled for construction over the medium term and the business remains well positioned to benefit from the expected increase in steel demand.

Sales revenue for the year was flat compared to the prior year at $2,870 million, as increased volumes were offset by a lower average selling price.

In the first half, the earnings benefit from improved sales volumes, a lower Australian dollar and further cost reductions was more than offset by the impact of historic low South East Asian steel margins on domestic margins. South East Asian steel margins started to lift towards the end of the half, supported by lower scrap prices. This benefited the business' domestic prices and margins, largely in the fourth quarter due to the approximate 3 month price lag. Asian Steel prices and margins have declined since, which is expected to impact the first half of FY16. Anti-dumping measures and a lower Australian dollar have the potential to offset some of this impact.

Second half EBITDA was $46 million, up significantly from $16 million in the first half.

The stronger second half lifted EBITDA for the year to $62 million, an increase of 22% on the prior year's EBITDA of $51 million.

In Recycling, EBITDA was $8 million, down from $12 million in the prior year. Cost and operational improvements, together with stronger earnings in the non-ferrous business were insufficient to offset the impact of significantly weaker ferrous margins and volumes, particularly as ferrous prices fell sharply towards the end of the first half and reduced further in the second half.

Financial Ratios

Arrium Financial Ratios – Year ended 30 June[1]

	FY15	FY14	Change
	$m	$m	%
Sales Revenue	6,086	7,007	(13%)
Other Revenue/Income	94	126	(25%)
Total Income	6,180	7,133	(13%)
Gross Profit	376	1,180	(68%)
EBITDA	351	864	(59%)
Depreciation, amortisation and impairment	(345)	(367)	(6%)
EBIT	6	497	(99%)
Finance costs	(91)	(118)	(23%)
(Loss) / Profit before tax	(85)	379	(122%)
Tax benefit / (expense)	79	(82)	(196%)
(Loss) / Profit after tax	(6)	297	(102%)
Non-controlling interests	(1)	(1)	0.0%
Net (loss) / profit after tax	(7)	296	(102%)
Total assets	6,241	8,002	(22%)
Total liabilities	3,686	4,271	(14%)
Total equity	2,555	3,731	(32%)
Net debt	1,750	1,708	2%
Funds employed	4,305	5,439	(21%)
Number of shares on issue (millions)	2,937	1,366	115%
Operating cash flow	49	746	(93%)
Free cash flow	(376)	311	(221%)

	FY15	FY14	Change
	$m	$m	%
Capital and investment expenditure	424	435	(3%)
Return on equity % (PAT / average total equity)	(0.2%)	8.1%	(8.3pp)
Return on funds employed % (EBIT / average funds employed)	0.1%	8.9%	(8.8pp)
Sales margin %	0.1%	7.1%	(7.0pp)
Gross profit margin %	6.2%	16.8%	(10.6pp)
Earnings per share (cents)[2]	(0.1)	20.5	(100%)
Dividends per share (cents)	-	9.0	(9.0c)
Dividend payout ratio (dividend / NPAT)	-	41.4%	(41.4pp)
Leverage Ratio (net debt / EBITDA, 12m rolling basis)	5.0	2.0	150%
Gearing (%) (net debt / net debt + equity)	40.7%	31.4%	9.3pp
Interest cover (times EBITDA, 12m rolling basis)	3.9	7.4	(3.5 times)
Net tangible assets per share ($)	0.27	1.29	(79%)
Employees	8,662	9,269	(7%)
Sales per employee ($000s)	703	756	(7%)
Iron ore tonnes sold (Mt)	12.48	12.47	0%
Raw steel production (Mt)	2.43	2.36	3%
Steel tonnes despatched (Mt)	3.29	3.2	3%

1 Unless otherwise stated, certain financial measures referred to in the Operating and Financial Review, including underlying results and ratios based on underlying results are non-statutory financial measures, which have not been audited or reviewed as part of KPMG's audit report on the full year financial report. However, KPMG have undertaken a set of procedures to agree the financial information in the Operating and Financial Review to underlying information supplied by the Company. The Directors believe that using these non-statutory financial measures appropriately represents the financial performance of the Group's total operations including continuing and discontinued operations. All balance sheet items are based on statutory financial information. Details of the reconciliation of non-statutory to statutory results can be found on page 25. The Operating and Financial Review forms part of a package of information about the Group's Full Year Financial Results for the year ended 30 June 2015 and should be read in conjunction with the other 2015 Full Year financial results materials.

2 June 2014 earnings per share has been restated as a result of the Placement and Entitlement Offers in September and October 2014.

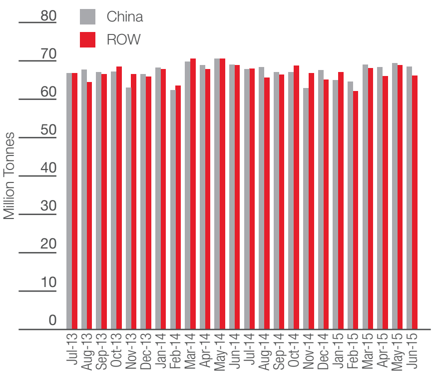
Key Business Drivers

The information included in the following charts illustrates trends in some of the major drivers of Arrium's businesses, including iron ore demand, world copper production and gold production costs, key sectors of the Australian economy, domestic steel prices, international steel prices and key inputs into steelmaking. The strength in the markets of our international business and the weakness in the markets of our iron ore and Australian steel businesses are evident in the following charts.

FIGURE 1

Crude Steel Production

July 2013 to June 2015



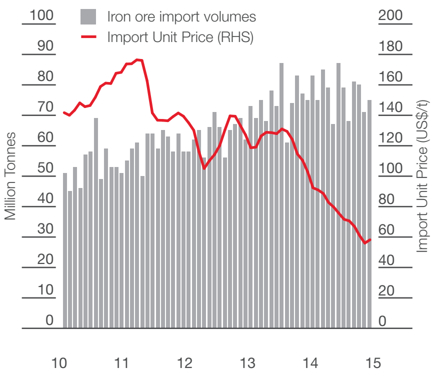
Source: World Steel Association

Crude steel production is the key driver of demand for iron ore. Crude steel production in China was at high levels but declined slightly from 813Mt in FY14 to 812Mt in FY15. Crude steel production for the rest of the world was also down slightly from 814Mt in FY14 to 805Mt in FY15.

FIGURE 2

Iron ore imports into China

July 2010 to June 2015



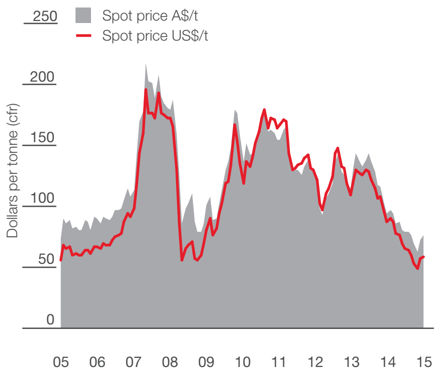
Source: TEX Report

Imports of iron ore into China are a key indicator of iron ore supply. Imports into China were up 4% for the year, increasing from 893Mt in FY14 to 929Mt. Port stocks of iron ore in China declined to below average levels at the end of FY15.

FIGURE 3

Iron Ore Fines (62% Fe) – Spot Prices (cfr N China)

July 2010 to June 2015



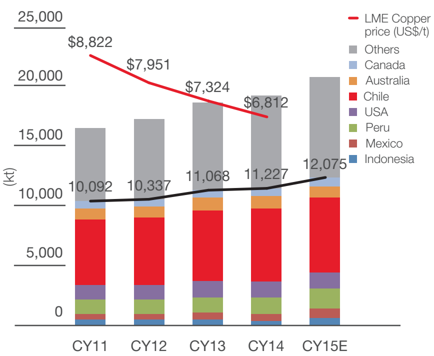
Source: CRU, Platts

Figure 3 represents the movement in spot iron ore fines (62% Fe) prices in both US and Australian dollars. The average US dollar spot price decreased 42% compared to the prior year, and was down 37% in Australian dollars. The significant decrease was the key driver of lower earnings and cash flows for the company in FY15. Arrium's Mining business has been restructured for the lower iron ore price environment.

FIGURE 4

World Copper Production (kt) and Copper Prices

January 2011 to December 2015

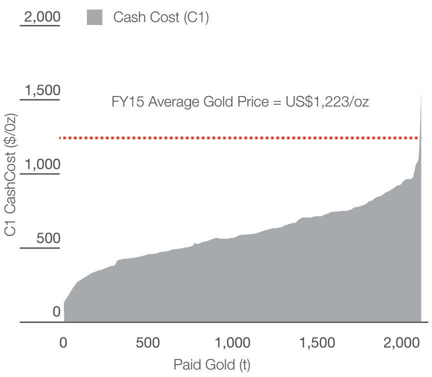


Source: Wood Mackenzie, LM

Figure 4 shows world copper production and LME prices in US Dollars. Copper production is a key driver of grinding media demand. Arrium has grinding media operations in Canada, USA, Chile, Peru, Mexico, Australia and Indonesia. Copper production in these countries (represented by the black line) is about 60% of total world production.

FIGURE 5

2015 Gold Mine Composite C1 Cash Cost Grouped By Mine and Ranked By Cash Cost (C1)



Source: Wood Mackenzie Ltd. Dataset 2015 Q2

Figure 5 shows the production costs (C1) for gold mines by country and the FY15 average gold price at US$1223/oz. Arrium Mining Consumables gold mine customers' production costs (C1) are predominantly in the low end of the cost curve up to the 75th percentile.

FIGURE 6

Hard Coking Coal Price (fob)

September 2006 to June 2015

Source: CRU

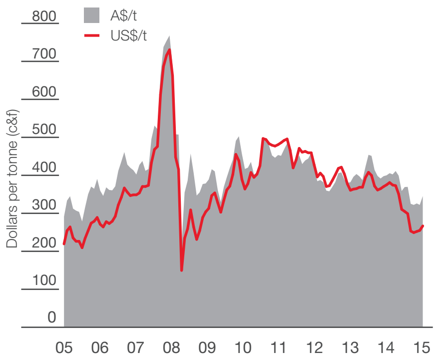
Figure 6 represents the movement in spot hard coking coal prices in both US and Australian dollars. Average spot prices in US dollar terms for FY15 decreased by 19% compared to FY14. Lower coal prices are positive for our Whyalla, South Australia steelmaking operation.

Key Business Drivers (continued)

FIGURE 7

Korean HM1 Scrap Price (c&f)

July 2005 to June 2015



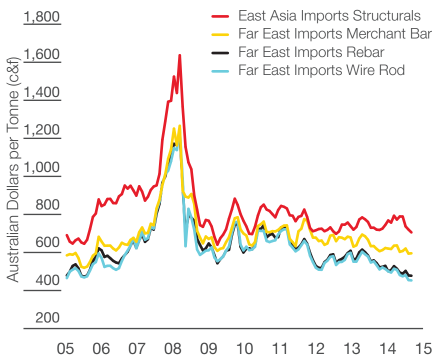
Source: TEX Report

Figure 7 shows prices for Korean ferrous scrap in US and Australian dollars. The average benchmark price decreased 19% in FY15 compared to FY14. In Australian dollars, prices were down 11%. Lower scrap prices are positive for our Steel business, as it is feed for our Electric Arc Furnaces, but is generally adverse for the Recycling business.

FIGURE 8

Long Products International Prices

July 2005 to June 2015



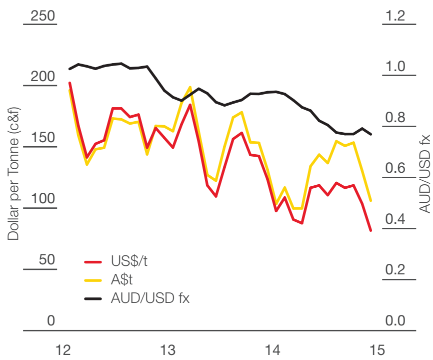
Source: CRU (Merchant Bar, Rebar, Wire Rod), SBB (Beams)

Figure 8 presents the international benchmark prices for structural beams, merchant bar, reinforcing bar and wire rod. In FY15, average prices in Australian dollar terms increased 1% for structural, were 7% lower for merchant bar, 14% lower for reinforcing bar, and 13% lower for wire rod. Movements in Asian steel prices are a factor in domestic steel prices.

FIGURE 9

Margin over Scrap for Asian Reinforcing Bar ($/t) & AUD/USD fx

July 2012 to June 2015



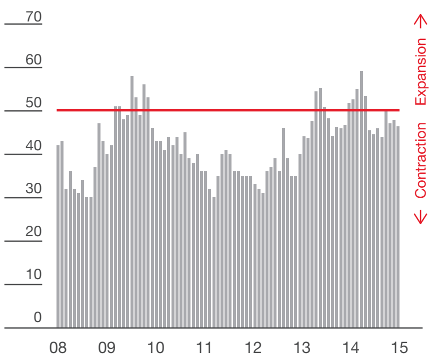
Source: CRU (Merchant Bar, Rebar, Wire Rod), SBB (Beams)

Figure 9 presents the margin over scrap for international benchmark reinforcing bar. In FY15, average margin over scrap in US dollar terms declined by 27% to US$106/t compared to US$146/t in FY14. The decline in Australian dollars was 19%. South East Asian steel margins are an influencing factor in domestic steel.

FIGURE 10

Australian Performance of Construction Index (PCI)

July 2008 to June 2015



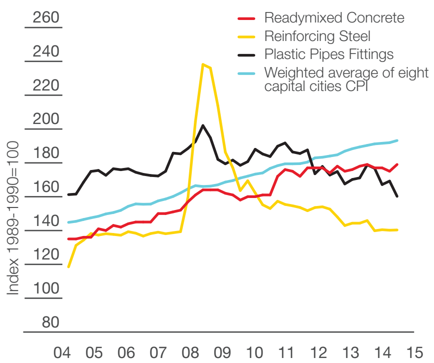
Source: Australian Industry Group

Figure 10 shows that the Australian Performance of Construction Index (PCI) has improved compared to the previous year. Apartment and house building have been strong whereas engineering and non-residential construction have remained generally weak.

FIGURE 11

Prices for Steel Residential Construction Materials

June quarter 2004 to June quarter 2015



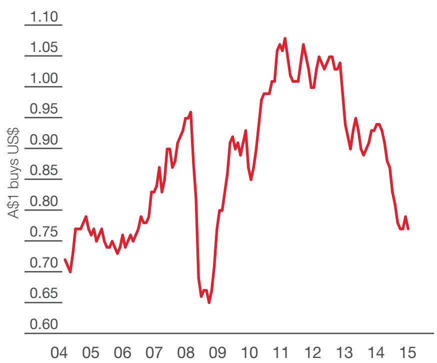
Source: ABS

Figure 11 represents the movement in prices of residential construction materials indexed to 1989/90 prices. The index for reinforcing steel decreased by 4% in the June 2015 quarter compared to the June 2014 quarter.

FIGURE 12

Australian versus US Dollar (Monthly Average)

July 2004 to June 2015



Source: RBA

Figure 12 represents the Australian dollar exchange rates against the US dollar. The average exchange rate was $0.84, down 9% compared to the FY14 average exchange rate. A lower Australian dollar improves the competitiveness of our Steel business against imports, increases Australian dollar iron ore prices and provides certain foreign currency earnings translation benefits in Mining Consumables.

Strategic Framework & Scorecard

Arrium's vision, set back in 2012, is to be a leading mining and materials company which delivers superior returns for our shareholders. We aim to achieve this through a portfolio of mining and materials businesses that are diversified across commodities, geographies and markets, and by utilising our unique infrastructure, capabilities, customer relations and market positions, as well as by investing in opportunities that provide the best return on shareholder funds.

In the current challenging market segments of resources and steel, the strategy for delivering this vision is through further growth in our Mining Consumables business, achieving acceptable returns in our Steel business, delivering an optimal cash outcome in Mining, lowering the company's cost base and debt reduction.

The company's investments to grow its Mining Consumables and Mining businesses delivered strong cash generation in the prior financial year, and were key factors in reducing net debt by $407 million to $1,708 million at the end of FY14. Debt reduction continues to be a key priority for the company, but the level of debt at the end of FY15 as well as expectations for the timing and rate of reduction have been impacted by a substantial decline in iron ore prices through the year.

In September, the company raised ~$730 million from a fully underwritten capital raising to strengthen its balance sheet in response to lower iron ore prices and increased negative sentiment. Iron ore prices continued to decline post the capital raising and the strategic focus of the Mining business shifted from maximising output to reducing costs and capital expenditure to deliver the optimal cash outcome over the medium term. This included mothballing the higher cost Southern Iron operation and reducing export iron ore sales from a rate of 13Mtpa to a target of 9 -10Mtpa for FY16.

The company achieved its targeted additional cost savings for the year of $60 million, which on an annualised basis exceeds the top end of its targeted range of $60 - $90 million. Further cost reductions and efficiency improvements remain a key priority and are being accelerated given the ongoing challenging external environment.

The company also achieved improved earnings in the Mining Consumables and Steel businesses, but this was insufficient to offset the adverse impact of lower iron ore prices resulting in significantly lower earnings in the Mining business and therefore had a major negative impact on our net debt, which at year end was $1,750 million (including translation of US denominated debt at $0.77c).

In May, the company announced that it had refinanced ~A$200 million of debt facilities that were due to mature in FY17. The refinancing is for a four year period.

Debt reduction remains a key priority for the company. Proceeds from asset divestments completed during the year totalled $203 million, exceeding the target of approximately $100 million.

In June, Arrium announced that it was undertaking a strategic review that would include assessing options for providing an appropriate structure and level of debt in a low iron ore price environment. Options include the potential divestment of significant assets or businesses.

The current strategic priorities and performance scorecard for each of our businesses are as follows:

Strategic Framework & Scorecard (continued)

Arrium Mining Consumables

Strategic priorities

- Capture more than our high market share of strong grinding media growth
- Stable margins
- Complete capacity expansion in Peru
- Complete roll out of next generation (NG) SAG ball
- Further cost reductions and efficiencies

Performance

- Underlying EBITDA $211 million, up 13% pcp, (including Wire Ropes)
- Grinding media sales volumes up 6% in North and South America
- Maintained stable grinding media margins
- ROFE ~14% for Moly-Cop grinding media businesses in North and South America, excluding capacity expansions prior to their commissioning
- Capacity expansion at Kamloops, Canada commissioned
- Capacity expansion at La Joya, Peru tracking to plan
- Roll out of next generation (NG) SAG ball tracking to plan
- Wire Ropes business sold March 2015

Arrium Mining

Strategic priorities

- Delivering restructuring benefits
- Continued strong focus on cost and capital reductions
- Add ore reserves with lower operating/capital cost
- Maintain portfolio and infrastructure flexibility – option value

Performance

- EBITDA $90 million, down from $686 million pcp
- Restructured for low iron ore price environment
- Export sales 12.5Mt in line with lowered target for FY15
- 13Mt of low cost ores added to reserves, partly offset depletions and reductions
- FY16 target average cash breakeven price lowered to ~US$47/dmt[1]
- Maintained flexibility to adjust operation up or down subject to external environment

Arrium Steel

Strategic priorities

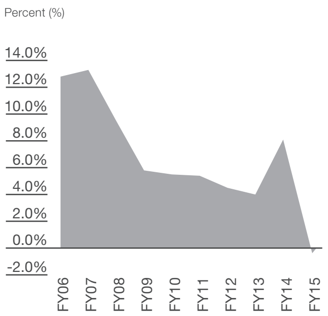
- Focusing on markets in which we have a sustainable competitive advantage
- Building our leading market positions
- Maintaining flexible capacity to meet demand cycles
- Ongoing cost and operational improvements
- Rationalise Recycling footprint

Performance

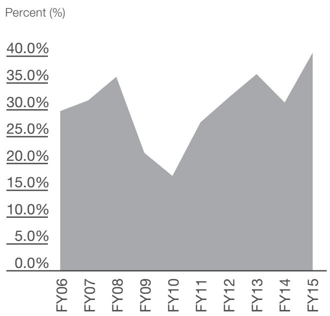
- Steel EBITDA and cash positive despite ongoing weakness in domestic markets
- Steel portfolio simplified to focus on integrated long products supply chain
- Delivered targeted synergies from establishment of single steel business
- Other cost and operational improvements
- Improved leverage to expected increase in construction activity, particularly infrastructure
- Continuing to leverage its repositioned footprint around Australia and Asia

1 For MBR hematite export business. Assumes FY16 average USD:AUD FX of US$0.72, total CFR China cash cost US$38/dmt, adjusted for targeted average realised price as a percentage of Platts 62% index CFR China i.e. US$38/0.89 plus capex ~US$4/t = ~US$47/dmt. Excludes working capital movements, restructuring and other one-off costs.

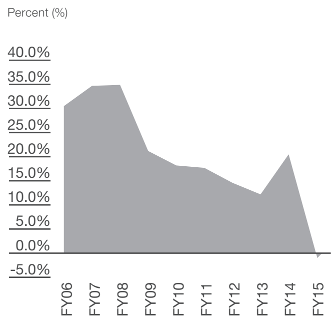
ROE – UNDERLYING



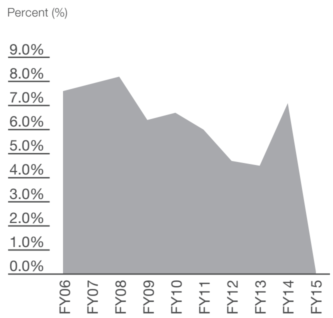
GEARING – STATUTORY



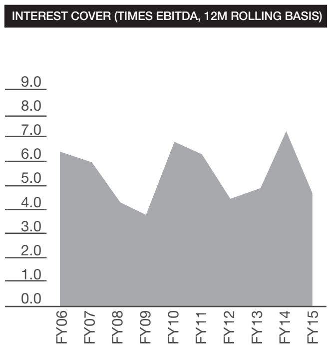
EPS – UNDERLYING



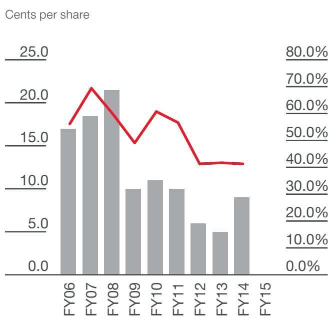
SALES MARGIN – UNDERLYING



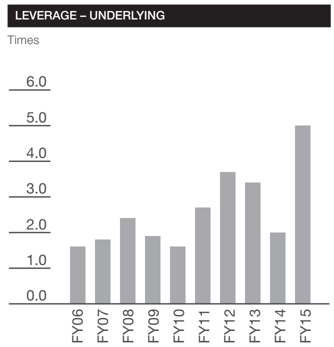
INTEREST COVER (TIMES EBITDA, 12M ROLLING BASIS)



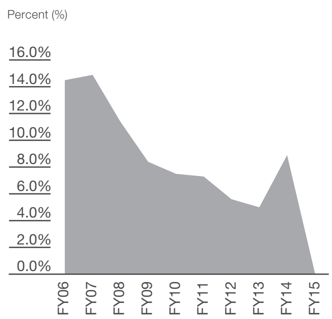
DIVIDENDS AND PAYOUT RATIO – UNDERLYING



LEVERAGE – UNDERLYING



ROFE – UNDERLYING



Mining Consumables

A strong performing business, with stable margins and a sustainable competitive advantage.

Arrium Mining Consumables comprises of the Moly-Cop international grinding media business, AltaSteel Steel Mill and the Waratah Steel Mill; with businesses located in Canada, the USA, Mexico, Peru, Chile, Indonesia and Australia.

The business delivers reliable, high quality mining consumable products to the mining industry from its 10 manufacturing facilities and 18 sales offices. It produces grinding media, grinding rods, railway wheels and axles, bar stock (grinding media feed), rebar and chemicals, and employs around 1,800 people globally.

The Moly-Cop grinding media business is the largest supplier of grinding media in the world selling ~1 million tonnes of grinding media per year.

During FY15, the business successfully continued to execute its long-term strategy of expanding capacity ahead of forecast demand for known projects, and providing the highest quality products to promote our 'value in use' benefits to customers.

The Cilegon, Indonesia and Kamloops, Canada expansion projects were commissioned on time and budget during the year, providing an additional 170,000 tonnes per annum of capacity. Construction of the capacity expansion at La Joya, Peru commenced during the year and is progressing well. The project is on schedule to be commissioned in mid CY2016.

The business continues to progressively roll-out its new next generation (NG) SAG ball, which has received strong customer support. The product is further strengthening Moly-Cop's competitive advantage, designed to provide the highest quality ball for SAG mill applications and has significantly outperformed competitor's products in recent customer trials. The business is well placed to continue this success through its superior ball quality, supply chain, technical assistance to customers and capacity advantage.

Sales revenue was $1,591 million, up 3% on the prior year, primarily due to increased sales in North and South America, underpinned by strong copper and gold production in these regions. In the Australasia business, Indonesian grinding media volumes continued to be impacted by the Minerals Value Added Tax, as well as operational issues at customer mines. The Australian Rail Wheel business remained weak, with demand affected by cost reduction initiatives by mining companies. The Wire Ropes business was sold in March 2015.

MINING CONSUMABLES – HISTORICAL INFORMATION

	FY15[1]	FY14[1]	FY13	FY12	FY11[2]
	$m	$m	$m	$m	$m
Total revenue/income	1,590.5	1,538.1	1,566.7	1,540.6	1,079.3
EBITDA	210.5	187.1	195.3	171.6	97.7
EBIT	159.9	139.8	150.7	135.2	65.3
Sales Margin	10.1%	9.1%	9.6%	8.8%	6.1%
Assets	2,561.7	2,438.6	2,460.5	2,310.3	2,286.4
Funds Employed	2,171.3	2,024.4	2,060.2	1,947.5	1,944.9
Return on funds employed	7.6%	6.8%	7.5%	6.9%	4.4%
Employees (number)	1,834	2,005	2,031	1,973	1,864
External tonnes despatched (Mt)[3]	1.13	1.09	1.14	1.06	0.73
Internal tonnes despatched (Mt)	0.08	0.07	0.09	0.09	0.09
Steel tonnes produced (Mt)	0.43	0.45	0.51	0.5	0.4

1 The Mining Consumables Segment results represent total operations of that segment, including continuing and discontinued operations. Details of the reconciliation of the Mining Consumables results reported in this release and those reported in the 2015 Full Year Financial Report can be found attached to this document.

2 These statistics include the results of the Moly-Cop Group from 31 December 2010. Assets and liabilities have been restated to reflect the final fair value adjustments arising on acquisition of the Moly-Cop Group in December 2010.

3 Excludes scrap sales.

Continued strong earnings performance, further strengthening of competitive advantage and a positive outlook

Mining Consumables continued to deliver strong earnings with underlying EBITDA for the year up 13% to $211 million, including Wire Ropes, with strong growth in sales volumes achieved in North and South America and stable margins. The Australasian business has benefited from the restructure of the Waratah business that was completed in the prior year, with lower operating costs and increased leverage to volume recovery in the rail wheels market.

Moly-Cop

The Moly-Cop business is the global leader in grinding media. It is a growth business of scale and continues to invest in innovative technology and capacity expansions ahead of the market, in line with its growth strategy for creating shareholder value. The strategy has three key pillars: being close to the market and customers, expanding capacity ahead of the known future demand and selling our products on a 'value in use' basis. Globally, demand for copper and gold remains strong and this underpins continued strong demand for grinding media.

Moly-Cop has the capacity to produce approximately 1.6 million tonnes per annum of grinding media, including both roll formed and upset forged, in a range of different sizes. With the completion of the plant expansions in Cilegon, Indonesia and Kamloops, Canada, the La Joya, Peru expansion progressing well and the successful roll out of the next generation (NG) SAG ball, the Moly-Cop business remains well positioned in all regions to capture at least its high share of the expected market growth.

Moly-Cop has an unparalleled supply chain and is able to service its customers locally in-market, through its extensive network of facilities and sales offices in locations including Canada, the USA, Mexico, Chile, Peru, Australia and Indonesia.

AltaSteel

AltaSteel is a leading supplier of heat-treated grinding rod to the North American mining industry and grinding media bar feed for the production of forged grinding balls, predominantly to Moly-Cop Canada, Moly-Cop USA and Moly-Cop Mexico. AltaSteel has capacity to produce around 310,000 tonnes of product per annum.

AltaSteel operates from its production facility in Edmonton, Canada. The business provides grinding media bar feed, grinding rod, rebar products and merchant bar sections to customers in Canada, the USA and Mexico. AltaSteel's facility comprises steelmaking, bar rolling mills and heat treatment operations.

The main steelmaking input is scrap, supplied through its recycling businesses, Maple Leaf Metals (100% owned) and GenAlta (50% joint venture), and through external suppliers located in Edmonton, Canada.

During the year, AltaSteel achieved significant operational improvements and increased volumes, and it continues to work closely with the Moly-Cop businesses on product development initiatives as part of Moly-Cop's global research and development program.

Waratah Steel Mill (including Rail products)

Waratah Steel Mill is a ferrous scrap based producer of high quality steel products operating in Newcastle, New South Wales. It is a leading domestic supplier of rail wheels, axles and wheel sets for the rail transport and mining sectors. Annual steelmaking capacity is approximately 300,000 tonnes. The steel mill processes ferrous scrap metal through the electric arc furnace (EAF), converting the steel into a wide range of products including bar feed for grinding media, rail wheels and axles and bar products.

The Waratah Steel Mill includes the Moly-Cop Australia grinding media facilities, with capacity to manufacture approximately 250,000 tonnes of grinding media per annum.

Comsteel Railway Wheels is a supplier of rail wheel products to the Australian as well as select international rail markets. Operating for more than 80 years, the business provides a range of wheels, axles and wheel sets predominantly for heavy haul rail systems. The business is at the forefront of high hardness heavy haul wheel technology, where Comsteel railway wheels are subject to the highest axle loads in some of the world's most demanding environments.

Railway wheel sales volumes were down compared to the prior year driven by delayed investment in new capital wagon fleets, lower wheel maintenance and a reduction in export sales.

Safety

The business' safety metrics for Medically Treated Injury Frequency Rate (MTIFR) increased compared to the prior year's rate, while the All Injury Frequency Rate (AIFR) was in line with the prior year. Mining Consumables is committed to achieving the highest performance in workplace health and safety, both within its normal operations and on the many expansion and process upgrade construction projects it has underway. The adverse movement in MTIFR was associated with an increase in contractor activity across the many construction projects. The commencement of the LaJoya, Peru expansion project remains as a critical safety focus as the business builds the necessary safety culture and construction capability within the principal contracting companies.

The Indonesian and Canadian expansion projects were commissioned with no lost time injuries during the past 12 months. Despite the heavy construction phase for the business we have seen High Potential Incidents (HPIs) with energy exchange and zero barriers reduce in FY15, adding to the pleasing trend over the past three years.

The business is continuing to focus on eliminating high consequence as well as high frequency risk by building capability within all our employees, building a mindset for safety excellence and sharing best practice across all international businesses.

Outlook

In Mining Consumables, we expect continued strong demand for grinding media, particularly in North and South America underpinned by high levels of copper and gold production and deteriorating head grades. There is a strong pipeline of scheduled new mining projects and expansions, and the company estimates that demand for grinding media will grow at the rate of ~7% CAGR between FY15 and FY20 for North and South America. The business is further strengthening its sustainable competitive advantage in grinding media with capacity expansions and the ongoing roll out of the next generation (NG) SAG ball, along with continued research and development to improve the quality of all its grinding media products. The business expects to capture more than our high market share of strong grinding media growth. Further earnings growth is expected to be delivered in FY16 from increased volumes and stable margins.

Arrium Mining

Arrium Mining is located in South Australia and includes mining operations at the Middleback Ranges.

Arrium Mining

The Mining business continues to evolve in response to the challenging iron ore market. The business performed well operationally through the year, achieving a record run rate of over 13 million tonnes per annum in the first half of the financial year. Market prices declined significantly and were volatile during the year due to changes in the demand/supply balance and increased negative sentiment around Chinese growth and iron ore prices. The sustained decline in pricing forced producers to rapidly reduce costs, with many high cost producers from China and elsewhere being displaced from the market.

In January, the company announced plans to restructure the Mining business in response to declining iron ore prices. As part of the restructure, the business successfully mothballed its higher cost Southern Iron operations in March. The business achieved sales for the year of approximately ~12.5 million tonnes which was similar to sales volumes in the prior year.

In addition to its export sales business, Mining also provides iron ore feed for the Whyalla Steelworks.

Operational performance

Revenue for the year decreased 43% to $889 million from $1,569 million in the prior year due to significantly lower iron ore prices. Iron ore prices declined approximately 40% over the year, the Platts 62% Fe CFR index price reached a low of US$47.50 in April, its lowest point in 10 years. Iron ore continued to be sold through a combination of sales to long-term contract customers (approximately 70%) and spot customers (approximately 30%). Arrium's average price for the year was US$59/dmt CFR, down 47% on the prior year average of US$111/dmt. The average loaded cash costs[1] for the year of A$45.7/wmt was down on the prior year cost of A$48.2/wmt and the average grade for the year was ~60% Fe.

Arrium Mining's Hong Kong based marketing office performed well in a very challenging market, supported by offices in Beijing and Shanghai. Customer support continued to be strong for the Whyalla Blend product.

The subsequent deterioration in actual and forecast iron ore prices led to the company announcing in June 2015 that it was undertaking further restructuring aimed at providing the optimal cash outcome for the business over the medium term. This included targeting an average cash breakeven price for FY16 of ~US$47/dmt[2] (Platts 62% Fe CFR China) for the Middleback Ranges export operation.

1 Includes mining, crushing, beneficiation, road haulage and transshipping costs. Excludes capitalised costs (infrastructure, pre-stripping and mining licences), depreciation and amortisation charges in respect of those costs, royalties, sales and marketing and corporate costs.

2 For MBR hematite export business. Assumes FY16 average USD:AUD FX of US$0.72, total CFR China cash cost US$38/dmt, adjusted for targeted average realised price as a percentage of Platts 62% index CFR China i.e. US$38/0.89 plus capex ~US$4/t = ~US$47/dmt. Excludes working capital movements, restructuring and other one-off costs.

MINING – HISTORICAL INFORMATION

	FY15	FY14	FY13	FY12[1]	FY11
	$m	$m	$m	$m	$m
Total revenue/income	888.5	1,568.6	976.9	819	948.4
EBITDA	90.2	685.9	367.8	343.7	554.2
EBIT	(97.4)	481.3	248.9	302.9	523.5
Sales Margin	(11.0%)	30.7%	25.5%	37.0%	55.2%
Assets	909.2	2,161.8	2,068.7	1,685.9	948.4
Funds Employed	457.5	1,644.7	1,568.1	1,379.7	776.3
Return on funds employed	(9.3%)	30.0%	16.9%	28.1%	70.1%
Employees (number)	467	552	571	532	367
External lump & fines iron ore sales (Mt)	12.48	12.47	8.28	6.29	6.04
Pellets, other ore and by products (Mt)[2]	0.37	0.43	0.57	0.44	0.72

1 These statistics include results relating to the WPG subsidiaries acquired on 6 October 2011.

2 Ore by products include dolomite, centrix, filter cake and pellet chips.

Mining has been restructured for the low iron ore price environment

As a result of further restructuring efforts, the Middleback Ranges operation achieved an average cash cost loaded on ship (FOB) in June 2015 of A$38/wmt, and is on track to achieve its FY16 target of ~A$35/wmt (US$25/dmt). EBITDA for the year was $90 million, down approximately $600 million from the prior year due to the significant decline in iron ore prices.

Exploration

The business refocused its exploration and drilling program during the year in response to falling iron ore prices. Hematite reserves were depleted by 14Mt, while a further 38Mt was removed largely as a consequence of the mothballing of our Southern Iron operation and the reduced iron ore price. From mid-year, exploration and drilling targeted near surface, near infrastructure opportunities (low cost and low capital requirements), predominantly on the western side of the Middleback ranges. Despite the short period of drilling and the fact that this area had been relatively unexplored, 13Mt of hematite reserve was added. There remain significant opportunities along this side of the ranges with strike lengths greater than 9kms. The business believes the exploration program is appropriately funded and expects that it will be able to continue to replace depleted reserves. At the end of FY15 hematite reserves were 39Mt at a grade of approximately 58%.

Exploration of the Magnetite resource and non-ferrous is a smaller component of the overall exploration program. Importantly, magnetite ore provides longer-term options for the supply of feed to the Whyalla Steelworks, as well as providing an ability to increase export volumes and grade through blending magnetite concentrate with export products. Longer-term, there are non-ferrous exploration opportunities outside of iron ore. Both these activities have a longer window of review than the current focus on conversion of hematite resource to reserve.

Further information in relation to our reserves and resources can be found in our 2015 Ore Reserves and Resources Statement.

Initiatives

In restructuring Mining for the low iron ore price environment, the business has retained the flexibility to increase capital expenditure (exploration, capitalised waste and stripping) and sales volumes subject to the external environment.

The Whyalla Port continued to perform well during the year, with the Inner Harbour again demonstrating its capability to load ~10 million tonnes per annum. As part of the restructuring during the year, the company announced the mothballing of the Outer Harbour operations. The increased Inner Harbour shed capacity continues to provide good coverage for product blending, which has allowed the business to focus on developing and satisfying the requirements of its core customer base. The Mining business has focused on delivering a single core product, the Whyalla Blend, which is blended in the Inner Harbour shed, and is a mix of Middleback ores. Since its introduction two years ago, the Whyalla Blend has developed wide market acceptance and strong ongoing customer support.

Safety

The business achieved further improvements to its safety results, recording significant reductions in both medically treated and recordable injury frequency rates. The major initiative for the year was the Swear by Safety program. This activity, undertaken in partnership with the Whyalla Steelworks, contractors and local community, seeks to achieve a deeper commitment to the goal of zero injuries. The roll out of five new Mining Codes of Practice was also completed during the year with very specific focus on mining related critical risks.

Community

We are proud of the strong community relationships we maintain in the Whyalla region. Our focus is on assisting youth and the underprivileged. We action this through the sponsorship of local events, sporting and community groups.

Our relationship with the Barngarla people provides sustainable employment and training for indigenous youth, particularly at our Iron Knob minesite where Walga Mining provide crushing services.

Outlook

In Mining, we expect demand for seaborne iron ore to remain strong, but prices to remain under pressure in FY16 from the supply/demand balance and negative sentiment. The business has been restructured for the low iron ore price environment, including lowering the target FY16 average cash breakeven price to ~US$47/dmt for the Middleback Ranges export operation, while maintaining its flexibility to adjust its operations up or down subject to the external environment. Export sales for iron ore are expected to be 9 – 10Mt for FY16 with an average grade of ~58.5%. Approximately 85% of volumes are currently under term contracts with customers.

Arrium Steel

Arrium Steel is a portfolio of businesses with leading market positions integrated together by an effective supply chain that allows flexibility and significant leverage. It includes both the Steel and Recycling businesses.

Arrium Steel is a world-class partner to the Australian construction industry, safely delivering sustainable steel-based solutions, on time and budget. The business employs approximately 5,500 people.

Steel

The business achieved a significant improvement in earnings, underpinned by increased sales volumes, cost reductions, lower raw material costs and lower Australian dollar against the US dollar, partly offset by the impact of lower South East Asian Steel prices and margins.

Total revenue was flat at $2,870 million and EBITDA was $62 million, up 22% on the prior year with domestic finished steel sales volumes up 4%. Volumes were strong in Steel in Concrete, underpinned by increased residential construction and market share growth in some wholesale rebar products. The business also benefited from cost savings and labour reductions, as well as improvements in working capital as a result of a continued focus on improving efficiency.

During the year, domestic margins were impacted by weak South East Asian steel margins, which reached historic 10 year lows. This was a result of slowing demand in China, and regional weakness generally, which led to an oversupply of steel long products. In the non-residential and residential construction sectors, activity levels improved, particularly in NSW. Residential commencements were strong due to low interest rates, rising residential prices and increased demand from overseas investors which underpinned strong levels of residential apartment construction. In engineering construction, the business expects to benefit from the commencement of a strong pipeline of government funded infrastructure projects.

The Steel business continues to focus on cash generation and its integrated value chain. This has included continuing to build on its leading market positions and focusing on markets in which it has a sustainable competitive advantage. Further improvements in its leverage to the expected growth in construction activity and a sustained lower Australian dollar were achieved from continued cost reductions and operational improvements.

STEEL – HISTORICAL INFORMATION

	FY15[1]	FY14[1]	FY13[1]	FY12[1]	FY11
	$m	$m	$m	$m	$m
Total revenue/income	2,869.6	2,875.2	2,973.6	3,292.3	3,950.4
EBITDA	61.8	50.8	64.0	73.1	(37.1)
EBIT	(33.2)	(52.8)	(44.4)	(30.3)	(164.6)
Sales Margin	(1.2%)	(1.8%)	(1.5%)	(0.9%)	(4.2%)
Assets	1,868.6	2,109.7	2,287.6	2,692.6	3,966.9
Funds Employed	1,289.9	1,544.1	1,717.7	2,109.0	3,171.9
Return on funds employed	(2.3%)	(3.2%)	(2.3%)	(1.1%)	(5.2%)
Employees (number)	4,880	5,116	5,285	5,369	6,922
External tonnes despatched (Mt)	2.12	2.07	2.36	2.57	2.44
Steel tonnes produced (Mt)	2.00	1.91	1.99	2.00	1.92

1 Excludes discontinued operations.

Significantly improved earnings and increased leverage to a positive outlook for domestic demand and a lower Australian dollar

Steel businesses includes:

Manufacturing facilities: The Whyalla Steelworks, two electric arc furnaces (Sydney, New South Wales and Laverton, Victoria) and several rolling mills and wire mills.

The Whyalla Steelworks is located at Whyalla, South Australia, approximately 400 kilometres north-west of Adelaide. It is an integrated steelworks using mainly magnetite iron ore-based feed, sourced from Arrium's iron ore mines in the region. It produces billet for rolling in other manufacturing sites, together with rail and structural steel products.

It produces common and special grade billet as feedstock for the downstream rod and bar mills, as well as producing rail and structural steel products for sale; and sales of slab and billet are made to external customers on an opportunistic basis. Raw steel production from Whyalla during the year was 1.1 million tonnes.

Billets produced from Whyalla and the Sydney and Laverton electric arc furnaces are rolled into a wide range of long products that are sold directly to external customers, as well as to Arrium's internal customers: ARC, OneSteel Reinforcing, Metalcentre and Wire.

In May, over 1,000 past and present employees celebrated the golden jubilee of the Whyalla Steelworks.

The Rod and Bar business produces a wide range of products and services for a diverse range of markets including the construction, rural, mining and manufacturing segments. Products include bar and rod for the reinforcing market, merchant bar, and rod feed for the wire industry.

These products are produced from facilities in Sydney and Newcastle, New South Wales and Laverton, Victoria. The electric arc furnaces and billet casting facilities at the Laverton and Sydney steel mills have a combined capacity of approximately 1.37 million tonnes per annum. Additionally, approximately 650,000 tonnes of billet is supplied from the Whyalla Steelworks.

Sales volumes of reinforcing bar increased during the year, driven by increase demand from construction in NSW and Victoria.

The Wire business consists of wire mills in Newcastle and Jindera, New South Wales, and Geelong, Victoria. The business predominantly services the rural fencing markets (via its Waratah and Cyclone brands) and domestic reinforcing and manufacturing segments. Wire sales volumes increased, compared to the prior year, supported by stronger demand in the construction and rural sectors.

In June, the Steel business celebrated the 100th anniversary of steelmaking and steel related activities in Newcastle. The anniversary was commemorated with the unveiling of a memorial at the Steelworks.

Steel's downstream (retail) business includes OneSteel Metalcentre and Reinforcing. These businesses serve the construction, manufacturing and resources markets with a diverse range of steel and metal products including structural steel sections, steel plate, angles, channels, reinforcing steel and flat products. The business distributes products sourced from its manufacturing businesses as well as externally purchased products.

OneSteel Metalcentre: This business processes and distributes a broad range of structural steel and related steel products, and is the leading steel distribution business in Australia. There are approximately 60 outlets that service mining projects and non-residential and engineering construction, fabrication, manufacturing and agricultural segments.

Sales volumes decreased compared to the prior financial year due to softer demand from markets exposed to the resources sector in Queensland and Western Australia. However, the lower Australian dollar is strengthening the businesses competitiveness against import competition.

Reinforcing: Reinforcing steel is used for concrete reinforcement, mining strata control, agriculture and industrial mesh products, as well as reinforcing steel fibres. It is supplied to large and small builders, concreters, form workers, pre-casters and mining companies.

Reinforcing is represented by two separate and competing businesses. OneSteel Reinforcing offers a range of innovative reinforcing solutions to customers, particularly in the construction and mining sectors. ARC (the Australian Reinforcing Company) has leading market positions in most segments, complemented by strong customer relationships and flexible offers.

Sales volumes increased in both ARC and OneSteel Reinforcing compared to the previous year, underpinned by increased residential and non-residential construction activity and the commencement of infrastructure projects.

Safety

Arrium Steel achieved a 15% reduction in MTIFR with several businesses achieving their best ever results. LTIFR was <1. The major focus for the year was on mitigation strategies for high consequence hazards. In addition, there was an increased focus on the development and capability build of business leaders in the single steel business.

Outlook

In Steel, we expect domestic construction activity to continue to improve mainly through stronger activity levels in NSW. In addition to increased construction of high rise residential apartments and large commercial projects, sales volumes are expected to benefit from increasing activity in government funded infrastructure projects. Earnings in FY16 are expected to benefit from increased volumes, lower scrap prices, further cost reductions, anti dumping measures and a sustained lower Australian dollar. However, lower South East Asian prices and margins at the end of FY15 are expected to impact first half earnings, particularly in the first quarter.

Recycling

The Recycling business supplies steelmaking raw materials to domestic and international steel mills, as well as non-ferrous metals for recycling. The business operates in 9 countries through a combination of physical operations in the form of collection sites and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and globally.

Recyclable material is sourced from the rural, mining, demolition and manufacturing industries, scrap dealers and the general public. The OneSteel Recycling business is part of the integrated steel value chain, selling raw materials to Arrium's Steel business. All sales between OneSteel Recycling and the Steel businesses are conducted on commercial terms equivalent to those negotiated with external parties.

In Australia, Recycling is principally an East coast and South Australian focused business operating from 24 locations, including four ferrous shredder production facilities. Recycling also has an Asian stainless steel and non-ferrous business which operates physical sites in three countries, and carries out the Group's global non-ferrous trading.

OneSteel Recycling is a core component of Arrium's portfolio, adding value by supplying cost effective ferrous scrap feed combined with non-ferrous scrap trading capability and market insight.

Market Conditions

The year was defined by a significant decline in USD denominated metal prices as the global economy corrected for slower Chinese growth, lower input costs, European economic uncertainty and an appreciating US dollar. Supply was tighter in the year due to the impact of lower prices. Ferrous scrap price depreciation was further exacerbated by iron ore price weakness and an increase in Chinese semi-finished steel being placed into the global market. Across the year, USD ferrous scrap benchmark prices fell by 28%.

Non-ferrous metal prices also trended downwards reflecting oversupply and poor economic sentiment. Nickel was significantly impacted with USD prices falling 40% through the year due to oversupply, growing stocks and weak stainless steel markets. A lower Australian dollar against the US dollar across the year provided some price mitigation in the Australian operations.

Continued focus on cost reductions and efficiency improvements

Recycling (continued)

Operational Performance

Total revenue decreased 5% to $1,073 million compared to the prior year due to lower ferrous prices and volumes. EBITDA from continuing operations decreased to $8 million from $12 million in the prior year as ferrous trading faced challenging conditions. Ferrous prices fell significantly from September, compressing margins and volumes, offset slightly by the depreciation of the Australian dollar and cost and operational improvements. Non-ferrous performance improved during the year, with increased margins and volumes in Australia offsetting declines in Asia that resulted primarily from declines in stainless steel markets.

Initiatives

The business continues to focus on cost reductions across Australia and Asia and leverage its repositioned footprint. This work has included simplifying the business' operating model and a continuing to focus on landfill cost reduction and metals recovery from waste streams.

With continued challenging market conditions the business has accelerated its focus on cost reductions, trading capability and its asset portfolio.

Safety

High consequence risk remained a focus across all the Recycling businesses particularly in the areas of load containment, 'Line of Fire' interactions, working at heights and mobile equipment – people interactions. This focus has seen an improvement in the identification of high risk situations and the assessment of new technology to provide additional engineering solutions to these activities. We are pleased with the reduction in the number of Medical Treatment Injuries, with the frequency rate reduced by 21% to 8.9. The year also included a strong focus on implementing World Class Safety principles into the business.

Outlook

In Recycling, earnings in the first half remain under pressure from low ferrous prices and margins and tight supply. Further cost reductions and operational improvements are expected, increasing the business' leverage to an increase in ferrous and non-ferrous prices.

RECYCLING – HISTORICAL INFORMATION

	FY15[1]	FY14[1]	FY13[1]	FY12[1]	FY11
	$m	$m	$m	$m	$m
Total revenue/income	1,072.5	1,132.2	1,165.3	1,362.5	1,507.2
EBITDA	8.3	12.1	(3.4)	5.6	37.6
EBIT	(2.4)	1.3	(15.6)	(8.4)	20.9
Sales Margin	(0.2%)	0.1%	(1.3%)	(0.6%)	1.4%
Assets	318.1	393.9	400.2	577.5	652.5
Funds Employed	230.4	296.9	301.0	472.5	554.3
Return on funds employed	(0.9%)	0.4%	(4.0%)	(1.6%)	3.6%
Employees (number)	666	641	685	804	1,033
Ferrous tonnes (Mt)	1.17	1.19	1.25	1.40	1.91
Non-ferrous tonnes (Mt)	0.23	0.25	0.23	0.24	0.25

1 Excludes discontinued operations.

Risk Management

Arrium manages its exposure to key financial risks, including interest rate and currency risk, in accordance with its financial risk management policy.

The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Debt management

Arrium's statutory gearing level at the end of June 2015 was 40.7%. Arrium's core debt facilities at the end of June 2015 comprised $2,110 million of syndicated loans provided by a group of banks, with tranches expiring from CY 2017 to 2019; $320 million of bi-laterals expiring in CY 2017 to 2019; and $328 million of US privately placed debt, with tranches expiring from CY 2015 to 2023. At the end of June 2015, net debt was $1,750 million. A strategic review has commenced to assess options for providing an appropriate structure and level of debt in a low iron ore price environment.

Interest rate management

Arrium's objective when managing interest rate risk is to minimise interest expense while ensuring that an appropriate level of flexibility exists to accommodate changes in funding requirements. To achieve this, Arrium uses a mix of 'fixed' and 'floating' interest rate instruments where 'fixed' is defined as 12 months or longer at the commencement of the arrangement. Further information regarding Arrium's interest rate management can be found in Note 18 to the Financial Statements.

Foreign exchange exposure

The Group's primary sources of foreign currency risk are sales of product, including iron ore; purchases of inventory and commodity inputs in foreign currency or based on foreign currency prices; capital expenditure in foreign currency; foreign currency denominated debt; and its net investment in foreign currency denominated operations.

The Group seeks to minimise its exposure to foreign currency translation risk arising on USD and CAD denominated operations using USD and CAD denominated debt as a net investment hedge. To manage foreign currency exposure arising on foreign currency denominated debt not designated as hedge of net investments, the Group uses forward exchange contracts. To manage foreign currency transaction risk, the Group enters into forward exchange or option contracts.

Financial Reporting Control Assurance

The company executes a risk-based process for assessing the effectiveness of internal controls. The control-focused financial reporting process includes:

a. Identifying and analysing the key financial processes;

b. Assessing the inherent and residual risk of each key financial process;

c. Identifying key financial controls where a risk assessment gap indicates significant reliance on internal controls; and

d. Performing Control Self Assessment tests of key financial controls and Stewardship reviews on a regular basis.

This process is based on:

- ISO 31000/COSO risk-based identification of key financial controls;
- The company's internal auditors' verification of the effectiveness of key financial controls; and
- Management sign-off to support the Managing Director/Chief Executive Officer and Chief Financial Officer sign-offs.

Risk Management at Arrium

Arrium has an established business risk profiling system for identifying, assessing, monitoring and managing material risk. The system is based on ISO 31000/COSO, and provides ongoing risk management that is capable of responding promptly to emerging and evolving risks. The company's risk management system includes comprehensive practices that help ensure that:

– Key risks are identified and mitigating strategies are put in place;

– Management systems are monitored and reviewed to achieve high standards of performance and compliance in areas such as safety and environment;

– Capital expenditure above a certain threshold obtains prior Board approval;

– Internal control weaknesses are identified and reported monthly through the outstanding audit issues scorecard until they are remediated and closed;

– Financial exposures are controlled, including the use of derivatives; and

– Business transactions are properly authorised and executed.

Internal and External Audit

Arrium's Internal Audit, Control and Risk (IACR) function is headed by a General Manager reporting to the Chief Financial Officer, with the execution of the internal audit function managed internally. The Arrium Audit and Compliance Committee oversees this function. The annual internal assurance program is aimed at providing assurance to Management and the Board over the effectiveness of the company's enterprise risk management system, comprising business risk management, compliance and control assurance, and the effectiveness of its implementation. The IACR function works with the company's external auditor, KPMG, to minimise duplication of effort and to maximise knowledge sharing between the assurance providers.

Arrium-wide Material Business Risks

The following key business risks have been identified as having the potential to impact on the company's earnings stream. Arrium undertakes the necessary steps to ensure that these risks are appropriately managed.

SUSTAINED MINELIFE AND SIGNIFICANTLY LOWER IRON ORE PRICE ENVIRONMENT

The synchronisation of sustained and significantly depressed iron ore price resulting in decreasing profitability and the inability to maintain sustained growth of the Mining business.

MANAGING LIQUIDITY & DEBT LEVEL

Ability to address the balance sheet, particularly debt levels to reduce interest payments, ability to raise debt funding and future liquidity requirements.

DOMESTIC AND GLOBAL ECONOMIC ENVIRONMENT AND CAPITAL MARKET CONDITIONS

Arrium's financial performance and market capitalisation will fluctuate due to movements in capital markets, broker analyst recommendations, interest rates; exchange rates, inflation, economic conditions, changes in Government fiscal, monetary and regulatory policies, commodity prices, construction, mining and manufacturing industry activity levels, South East Asian steel prices and margins, scrap metal availability and prices, global geopolitical events and hostilities and acts of terrorism, investor perceptions and other factors that may affect Arrium's financial position and earnings.

COMPETITION

Arrium faces import and domestic competition across our product range. A significant increase in competition, including through imports, could materially affect the future financial position and performance of Arrium by putting downward pressure on steel prices or by reducing Arrium's sales volumes.

OCCUPATIONAL HEALTH AND SAFETY (OHS)

Arrium has been granted self-insurance status for workers' compensation in all eligible Australian states. Arrium's continued safety performance and compliance with OHS systems and practices is a key component to maintaining self-insurance status. If Arrium fails to maintain adequate occupational health and safety systems and practices, Arrium may lose its self insurance status, which may have a material adverse effect on the financial performance of Arrium.

ADVERSE IMPACT OF FOREIGN CURRENCY EXCHANGE RATES

Arrium has exposure to foreign exchange translation risk. Fluctuations in foreign currency exchange rates, in particular, volatility of the US dollar against most major currencies and significant fluctuations of the Australian dollar against the US dollar, may have a material adverse impact on the financial position and performance of Arrium.

CYCLICAL NATURE OF OUR INDUSTRIES

Arrium's revenues and earnings are sensitive to the level of activity in the Australian construction, manufacturing, mining and agricultural industries and are also sensitive to the level of activity in the global mining industries.

OPERATIONAL RISK

Arrium Mining's operational risks relate to the continual operation and successful expansion of its supply chain infrastructure. The production of iron and steel products involves a number of inherent risks relating to the operation of Arrium's manufacturing facilities that involve the use of energy and infrastructure resources, including electricity, gas and water; the production and movement of liquid metal; the hot rolling and cold forming of steel sections; and, at times, complicated logistical processes. Operational risks exist with respect to the major units at Whyalla, as well as electric arc furnaces and rolling mills. The Recycling business is also exposed to operational risks relating to its supply chain.

DEPENDENCE ON KEY CUSTOMER AND SUPPLIER RELATIONSHIPS

Arrium relies on various key customer and supplier relationships, and the loss or impairment of any of these relationships could have a material adverse effect on Arrium's operations, financial condition and prospects.

PRODUCT RISK

Arrium maintains an internal risk management process and also follows quality assurance procedures in relation to the manufacture of its products and materials. For example, Arrium's steel mills are accredited to internationally recognised standard ISO9001. However, due to the nature of its operations, it is possible that claims against Arrium could arise from defects in materials or products manufactured and/or supplied by Arrium.

Reconciliations

Except for the Mining Consumables segment, segment results referred to throughout this release are those reported in the 2015 Full Year Financial Report. They are equivalent to segment underlying results for continuing businesses in that segment. The Mining Consumables Segment results represent total operations of that segment, including continuing and discontinued operations. Details of the reconciliation of the Mining Consumables results reported in this release and those reported in the 2015 Full Year Financial Report can be found attached to this document.

Reconciliation between Underlying and Statutory Results ($m)

Year ended 30 June 2015	Statutory Results			Underlying Results			
Reconciliation between Underlying and Statutory Results	**Continuing operations**	**Discontinued operations[1]**	**Total Operations Statutory**	**Impairment[2]**	**Tax adjustments[3]**	**Restructuring costs & Other items[4]**	**Total Operations Underlying**
Sales revenue	5,896.3	189.3	**6,085.6**	-	-	-	**6,085.6**
Other revenue/income	90.5	3.3	**93.8**	-	-	-	**93.8**
Total revenue/income	5,986.8	192.6	**6,179.4**	-	-	-	**6,179.4**
Gross profit/(loss)	443.5	(67.4)	**376.1**	-	-	-	**376.1**
EBITDA	10.4	(100.4)	**(90.0)**	205.9	-	235.0	**350.9**
Depreciation, amortisation and impairment	(1,755.9)	(34.8)	**(1,790.7)**	1,445.9	-	(0.6)	**(345.4)**
EBIT	(1,745.5)	(135.2)	**(1,880.7)**	1,651.8	-	234.4	**5.5**
Finance costs	(93.2)	-	**(93.2)**	-	-	2.6	**(90.6)**
Profit/(loss) before tax	(1,838.7)	(135.2)	**(1,973.9)**	1,651.8	-	237.0	**(85.1)**
Tax (expense)/benefit	28.0	28.5	**56.5**	1.0	102.2	(80.5)	**79.2**
Profit/(loss) after tax	(1,810.7)	(106.7)	**(1,917.4)**	1652.8	102.2	156.5	**(5.9)**
Non-controlling interests	(0.8)	-	**(0.8)**	-	-	-	**(0.8)**
Net profit/(loss) after tax	(1,811.5)	(106.7)	**(1,918.2)**	1,652.8	102.2	156.5	**(6.7)**

1 Relating to the results of Australian Tube Mills, Merchandising, US Recycling businesses and Ropes. Excludes intercompany transactions. Statutory EBITDA and statutory net loss after tax including intercompany transactions are $13.8m and $46.1m respectively.

2 Comprising inventory write down in Mining and impairment of intangible assets, mine development expenditures and property, plant and equipment in Mining, Mining Consumables, Steel and Recycling and discontinued operations.

3 Prior period tax adjustments and write off of deferred tax assets including the impact of the repeal of the Mineral Resource Rent Tax.

4 Related to redundancies and other direct expenditure associated with business restructures and organisational changes. Other items in net profit/(loss) after tax of $10.7m includes break fees associated with early termination of cross currency and interest rate swaps and other non-recurring costs.

Reconciliation between Underlying and Statutory Results ($m)

Year ended 30 June 2014	Statutory Results			Underlying Results				
Reconciliation between Underlying and Statutory Results	**Continuing operations**	**Discontinued operations[1]**	**Total Operations Statutory**	**Impairment[3]**	**Steel Transformation Plan[4]**	**Tax adjustments[5]**	**Restructuring costs & Other items[2]**	**Total Operations Underlying**
Sales revenue	6,502.0	504.6	**7,006.6**	-	-	-	-	**7,006.6**
Other revenue/income	111.8	13.7	**125.5**	-	-	-	-	**125.5**
Total revenue/income	6,613.8	518.3	**7,132.1**	-	-	-	-	**7,132.1**
Gross profit/(loss)	1,211.3	(31.3)	**1,180.0**	-	-	-	-	**1,180.0**
EBITDA	868.7	(87.6)	**781.1**	-	26.5		56.6	**864.2**
Depreciation, amortisation, and impairment	(374.1)	(6.5)	**(380.6)**	13.2	-	-	-	**(367.4)**
EBIT	494.6	(94.1)	**400.5**	13.2	26.5	-	56.6	**496.8**
Finance costs	(117.5)	-	**(117.5)**	-	-	-	-	**(117.5)**
Profit/(loss) before tax	377.1	(94.1)	**283.0**	13.2	26.5	-	56.6	**379.3**
Tax (expense)/benefit	(110.4)	34.0	**(76.4)**	(5.1)	(7.9)	24.4	(16.8)	**(81.8)**
Profit/(loss) after tax	266.7	(60.1)	**206.6**	8.1	18.6	24.4	39.8	**297.5**
Non-controlling interests	(1.2)	-	**(1.2)**	-	-	-	-	**(1.2)**
Net profit/(loss) after tax	265.5	(60.1)	**205.4**	8.1	18.6	24.4	39.8	**296.3**

1 Relating to the results of Australian Tube Mills, Merchandising and US Recycling businesses. Excludes intercompany transactions. Statutory EBITDA and statutory net loss after tax including intercompany transactions are $2.9m and $0.8m respectively.

2 Related to redundancies from organisational changes and other direct expenditure associated with business restructures. Other items in net profit/(loss) after tax of $4.0m relates to other non-recurring costs.

3 Impairment of property, plant and equipment in Mining Consumables, Steel and Recycling and discontinued operations.

4 Relates to the write-off of outstanding grant receivable under the *Steel Transformation Plan Act 2011* in Steel segment due to the repeal of the Carbon Tax from 1 July 2014 under the Clean Energy Legislation (Carbon Tax Repeal) Act 2014.

5 Relates to tax adjustments related to prior years and the net impact of Mineral Resource Rent Tax.

Reconciliations (continued)

Mining Consumables

Year ended 30 June	2015			2014		
$ millions	Continuing operations	Discontinued operations	**Total operations**	Continuing operations	Discontinued operations	Total operations
Total Revenue/Income	1,544.9	45.6	**1,590.5**	1,477.9	60.2	1,538.1
EBITDA	202.2	8.3	**210.5**	172.1	15.0	187.1
EBIT	153.0	6.9	**159.9**	126.8	13.0	139.8
Sales Margin (EBIT)	9.9%	15.1%	**10.1%**	8.6%	21.6%	9.1%
Assets[1]	2,561.4	0.3	**2,561.7**	-	-	2,438.6
Capital Expenditure[1]	81.2	1.1	**82.3**	-	-	70.6

1 In accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*, assets, liabilities and capital expenditure have not been restated for prior periods.

Financial Report

FOR THE YEAR ENDED 30 JUNE 2015

Directors' Report

Your Directors submit their report on the consolidated entity consisting of Arrium Limited ("Arrium" or "the Company") and the entities it controlled at the end of, or during, the year ended 30 June 2015 ("Arrium Group" or "the Group").

DIRECTORS

The following persons were Directors of Arrium Limited during the whole of the financial year and up to the date of the report unless stated otherwise:

R B Davis
C R Galbraith, AM
J C R Maycock (appointed 19 August 2014)
P G Nankervis
D A Pritchard (resigned 17 November 2014)
D C W Ritchie (appointed 28 May 2015)
A G Roberts
P J Smedley (resigned 17 November 2014)
G J Smorgon, AM
R Warnock

Details of the qualifications, experience and responsibilities of the Directors are set out on pages [XX] and [XX].

PRINCIPAL ACTIVITIES

The principal activities of the Company are mining and supply of iron ore and other steelmaking raw materials to steel mills internationally and in Australia; the manufacture and supply of mining consumables products with key market positions globally; the manufacture and distribution of steel long products and recycling of ferrous and non-ferrous scrap metal.

Arrium is an international mining and materials company with three key businesses: Mining; Mining Consumables; and Steel and Recycling.

Arrium Mining is an exporter of hematite ore with operations in South Australia. Arrium Mining also supplies pelletised magnetite iron ore and some hematite lump iron ore to the Company's integrated steelworks at Whyalla at cost.

Arrium Mining Consumables supplies resource companies with a range of key mining consumables, including grinding media, wire ropes and rail wheels. The business is the largest supplier of grinding media in the world, with leading market positions in South America, North America and Australasia.

Arrium's integrated Steel and Recycling businesses comprises OneSteel Manufacturing, Australia's long products steel manufacturing business; OneSteel Distribution, Australia's largest steel distributor and reinforcing steel supplier; and OneSteel Recycling, a supplier and exporter of scrap metal with operations in Australia, Asia and North America.

OPERATING AND FINANCIAL REVIEW

The Operating and Financial Review ("OFR") of the Arrium Group during the financial year is set out on pages [XX] to [XX].

DIVIDENDS

Dividends paid or declared by the Company since the end of the previous financial year were as follows:

	$m
2014 final dividend 3.0 cents per ordinary share paid on 16 October 2014, on fully paid ordinary shares	41.0

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than the re-design of the Group's South Australian based Mining operations announced in January 2015, no significant changes in the state of affairs of the Arrium Group have occurred during the financial year. Commentary on the overall state of affairs of the Arrium Group is set out in the OFR.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Arrium Group's operations are subject to various environmental regulations at a Commonwealth, State and local level. Where this regulation is particular and significant, compliance is assured through Environmental Management Systems to the ISO14001 standard. Compliance with this regulation was achieved in FY15 with no penalty notices or fines received.

DIRECTORS' MEETINGS

The number of Directors' meetings held, and the number of meetings attended by each of the Directors (excluding invited attendees), during the financial year are listed below. Details of the Committees are set out on pages [XX] and [XX].

DIRECTOR	BOARD[1]	AUDIT & COMPLIANCE COMMITTEE	GOVERN-ANCE & NOMINATIONS COMMITTEE	HUMAN RESOURCES COMMITTEE	OCCUPA-TIONAL HEALTH, SAFETY & ENVIRONMENT COMMITTEE	OPERATIONAL RISK COMMITTEE
NUMBER OF MEETINGS HELD	11	6	3	4	3	2
R B Davis	11	5	N/A	N/A	3	2
C R Galbraith, AM	11	6	3	N/A	N/A	N/A
J C R Maycock[2]	9	N/A	2	4	N/A	1
P G Nankervis	11	6	N/A	N/A	N/A	1
D A Pritchard[3]	5	N/A	N/A	N/A	N/A	1
D C W Ritchie[4]	1	N/A	N/A	N/A	N/A	N/A
A G Roberts	11	N/A	N/A	N/A	N/A	N/A
P J Smedley[3]	5	N/A	2	N/A	N/A	1
G J Smorgon, AM	11	N/A	1	4	3	1
R Warnock	11	6	N/A	N/A	3	N/A

1. Excludes sub-committee meetings and written resolutions.
2. Appointed 19 August 2014.
3. Resigned 17 November 2014.
4. Appointed 28 May 2015.

COMPANY SECRETARY

Information on the qualifications and experience of the Company Secretary is set out on page [XX].

NO OFFICERS ARE FORMER AUDITORS

No officer of Arrium has been a partner of an audit firm or a Director of an audit company that is or was an auditor of any entity in the Arrium Group during the year ended 30 June 2015.

SHARES AND RIGHTS

During or since the end of the financial year, the Company has issued 6,124,299 (2014: 3,795,256) rights over Arrium ordinary shares to the Executive Directors and Executives. The company issued 541,572 ordinary shares (2014: 5,163,288) as a result of the vesting of rights under the Arrium Performance Rights Plan.

Directors' Report continued

DIRECTORS' INTERESTS

No Director, either directly or indirectly, was granted ordinary shares during the financial year other than A G Roberts, who was granted 1,768,972 (2014: 1,206,896) rights to Arrium ordinary shares under the Performance Rights Plan. These rights will vest on 30 June 2017 subject to performance hurdles. During or since the end of the financial year, the Company has not issued any ordinary shares (2014: 160,000) as a result of the vesting of rights under the Performance Rights Plan.

The relevant interests of each Director in the shares, rights, options or other instruments of the Company and related bodies corporate are set out in Remuneration Report.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 19 August 2015, the Company reduced its share capital by $353.3 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Company and Consolidated Entity during the year ended 30 June 2015. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The transaction has been made in accordance with section 258F of the *Corporations Act 2001* (Cth) and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction will not affect the financial statements for the year ended 30 June 2015, but will be included in the financial statements for the year ending 30 June 2016.

Other than the above, there have been no circumstances arising since 30 June 2015 that have significantly affected or may affect:

(a) the operations;

(b) the results of those operations; or

(c) the state of affairs of the Arrium Group in future financial years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

Certain likely developments in the operations of the Arrium Group known at the date of this report have been covered in the OFR.

INTERESTS OF NON-EXECUTIVE DIRECTORS IN CONTRACTS OR PROPOSED CONTRACTS WITH THE COMPANY

Directors of Arrium Limited have declared their interests in contracts or proposed contracts that may result from their directorships of other corporations, as set out on pages [XX] and [XX].

Members of the Arrium Group had normal business transactions with Directors (or Director-related entities) of the Company and its controlled entities during the year.

LOANS TO DIRECTORS AND KEY MANAGEMENT PERSONNEL

No loans were made to or are outstanding with Directors or Key Management Personnel.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Group has agreements with each of the Non-Executive Directors of the Company in office at the date of this report, and certain former Directors.

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, as disclosure is prohibited.

NON-AUDIT SERVICES

During the year, Arrium Group's auditor, KPMG, provided non-audit services to Arrium Group entities.

Details of the amounts paid or payable to the auditor, KPMG, for the provision of non-audit services during the financial year are set out in Note 30 to the Financial Report.

The Directors are satisfied that the provision of the non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth). Following a review by the Board Audit & Compliance Committee, the Directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence has not been compromised.

ROUNDING OF AMOUNTS

The Company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/100. In accordance with that Class Order, amounts contained in this report and in the Financial Report have been rounded off to the nearest one hundred thousand dollars or, where the amount is $50,000 or less, zero, unless specifically stated to be otherwise.

Lead Auditor's Independence Declaration

UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* (CTH)

TO THE DIRECTORS OF ARRIUM LIMITED

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

(a) No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* (Cth) in relation to the audit, and
(b) No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

A W Young
Partner

Sydney, 19 August 2015

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Remuneration Report

The Directors of Arrium Limited present the Remuneration Report, which forms part of the Directors' Report, for the Arrium Group ("the Group").

This Remuneration Report has been prepared in accordance with the *Corporations Act 2001* (Cth) and the *Corporations Regulations 2001* and sections B – F have been audited.

CONTENTS OF THE REMUNERATION REPORT

The Remuneration Report outlines Arrium's remuneration strategy, the components of remuneration for Key Management Personnel (KMP), including Non-Executive Directors (NEDs) and Executives, the link between performance and reward, and provides details of remuneration paid to Non-Executive Directors and Executives during the year ended 30 June 2015. The report is divided into the following sections:

A. Chairman's Letter to Shareholders providing an Overview of FY15
B. Remuneration Governance at Arrium
C. Non-Executive Director Remuneration
D. Executive Remuneration
E. Details of Non-Executive Director and Executive Remuneration for the year ended 30 June 2015
F. Executive Service Agreements.

For the purposes of this report:

– *Key Management Personnel* are those executives with authority and responsibility for planning, directing and controlling the activities of the Arrium Group either directly or indirectly, and all the Directors of Arrium Limited (Executive and Non-Executive).
– *Lead Team* refers to members of the senior executive group and comprises the Managing Director & Chief Executive Officer (MD&CEO) and direct reports to the MD&CEO. There are no Key Management Personnel outside the Lead Team, other than the NEDs.

A. CHAIRMAN'S LETTER TO SHAREHOLDERS PROVIDING AN OVERVIEW OF FY15 (UNAUDITED)

On behalf of the Arrium Board, I am pleased to provide you with the Remuneration Report for the 2015 financial year. Whilst the report that follows sets out a comprehensive account of remuneration at Arrium over the last 12 months, I would like to take the opportunity to provide you with an overview.

As set out in the Operating and Financial Review, Arrium has faced a challenging external environment this year, and we continue our work to build a resilient business with a stronger balance sheet. It has been in this context that the Board has determined both remuneration outcomes for the period and set future remuneration plans.

In summary, the Board has determined in the FY15 Remuneration Review process that no increases to executive salaries are appropriate for FY16 and no FY15 Short Term Incentive (STI) or Long Term Incentive (LTI) payments will be awarded for FY15. There will also be a targeted approach to the use of existing "at-risk" plans to incentivise executives to deliver the required financial and strategic outcomes and generate value for shareholders through FY16 and in future years.

The Board is confident that executives are making the decisions and taking the actions necessary in a very difficult and volatile environment. They will play a vital role in ensuring Arrium is positioned for success in both the short and long term. While we believe they have responded appropriately in the current environment, the Board considers the decisions on salary and awards in respect of FY15 are a necessary reflection of the impact of the external environment on the company as a whole. These decisions were proactively endorsed and supported by the executives.

The application of the STI and LTI plans will take into account the need to incentivise executives and support their retention to enable the execution of our strategic plans.

In determining remuneration outcomes for FY15 and the approach, the Board also had regard for contemporary remuneration practices and feedback from external shareholders as well as the unique challenges experienced by and facing the company. It has also been supported by independent remuneration advisers throughout this process.

Key elements include:

– NED fees have again been maintained at current levels. I was appointed to the Board Chairman's role in November 2014, and following a market review process, my annual fee was set at $425,000, down from the $495,000 applied to the former Chair;
– The FY14 Remuneration Review process resulted in modest increases to salary (Fixed Annual Reward) for some executives in the range 2.4% to 3.6%. These were applied from 1 July 2014 and followed the company having delivered record EBITDA and cash outcomes in FY14. They also resulted from a review of remuneration levels against industry peers.
– The FY15 Remuneration Review process has determined that in light of current business circumstances, salaries for all executives will not be adjusted.
– There will be no payment awards to any executives under the FY15 STI plans. Arrium's financial targets were not achieved. While each executive did achieve certain individual targets (for example cost reductions, capital expansion projects and market and customer outcomes), and in some instances safety and business level financial targets were achieved, estimated STI outcomes not paid range from $133,000 to $371,000.
– For performance share rights issued under the LTI or Performance Rights Plan (PRP) in 2012, the vesting measurement period concluded on 30 June 2015. Performance hurdle requirements relating to relative Total Shareholder Return (TSR) and Earnings Per Share (EPS) growth were not met and therefore no shares were awarded.
– The existing STI plan will be applied in a targeted manner for FY16. Executives will be incentivised to receive payments ranging from 0-100% of their Fixed Annual Reward (120% for the MD&CEO) subject to specific outcomes being delivered. Targets will be predominantly weighted to financial and balance sheet measures.

  The MD&CEO's STI measures are principally NPAT, cash and debt, as well as being linked to the Strategic Review and safety improvement objectives. Group based executives broadly have similar targets and measures whilst "in business" executives have a significant weighting on profit and cash outcomes for their respective areas, as well as safety improvement measures.
– The existing LTI has been applied as a key lever to incentivise and support retention of executives. The MD&CEO has been allocated performance rights to a value of 1.5 times his salary (or FAR) and for other executives allocation amounts equal to 60-75% of salary. The VWAP of Arrium ordinary shares traded in the 10 days following the release of FY15 Results will determine an allocation price. There is a three year vesting and measurement period with two equally weighted performance hurdles, relative TSR and EPS growth.

In setting this remuneration framework and determining outcomes and an approach the Board has had close regard for the circumstances of the company and endeavoured to both appropriately reflect recent business results whilst ensuring the alignment of remuneration with the execution of strategic plans and delivering shareholder value to investors.

Thank you for your continued support and I hope you will find this report useful and informative.

Jerry Maycock
Chairman

B. REMUNERATION GOVERNANCE AT ARRIUM (AUDITED)

The Board is responsible for and makes final remuneration decisions with respect to Non-Executive Directors and the Lead Team at Arrium. To assist the Board, governance and oversight of remuneration is delegated to the Human Resources Committee (refer to Corporate Governance Statement on page [XX]). The Human Resources Committee responsibilities, which can be referenced in more detail on the Company's website, include:

- Reviewing remuneration policies and practices, including the setting of the fixed remuneration amount and the structure and quantum of awards under the short term and long term incentive plans for Executives
- The Group's superannuation arrangements for Executives, and
- The fees for NEDs of the Board (within the total annual aggregate amount approved by shareholders).

The Human Resources Committee comprises three Non-Executive Directors, and has direct access to independent advice and comparative studies on the appropriateness of remuneration arrangements. The members of the Human Resources Committee, the number of meetings and attendance is presented on page 57 of the Directors' Report.

Arrium's Key Management Personnel at 30 June 2015 are listed below:

Table 1 – Arrium Key Management Personnel 2015

DIRECTORS	
R B Davis	Non-Executive Director
C R Galbraith, AM	Non-Executive Director
P G Nankervis	Non-Executive Director
J C R Maycock[1]	Board Chairman and Non-Executive Director
G J Smorgon, AM	Non-Executive Director
R Warnock	Non-Executive Director
D C W Ritchie[2]	Non-Executive Director
EXECUTIVE DIRECTORS	
A G Roberts	Managing Director & Chief Executive Officer
OTHER EXECUTIVES	
R C Bakewell	Chief Financial Officer
S H Hamer	Chief Executive Steel
G A Waters	Chief Executive Mining
G D A Feurtado	Chief Executive Recycling
J T Barbagallo	Chief Executive Mining Consumables
N M James[3]	Chief Executive Strategy

1. Effective 19 August 2014, Mr Jeremy Maycock was appointed as a Non-Executive Director. Effective from 18 November 2014 Mr J Maycock was appointed to the role of Board Chairman. P J Smedley retired 17 November 2014.
2. D Ritchie was appointed as a Non-Executive Director effective from 28 May 2015. D A Pritchard retired on 17 November 2014.
3. N M James appointed to the role of Chief Executive Strategy 1 July 2014.

Independent advice

The Board engages a number of expert consultants from time to time to provide independent and specialist advice in relation to executive remuneration policy and practice, market analysis and governance and the regulatory environment. This year, the Board has engaged the services of Egan Associates as the primary source of independent advice in relation to the executive group. In addition, EY were engaged to provide advice on executive remuneration structures in light of Arrium's strategic review. Letters of engagement confirm that any advice provided must be free from undue influence by the member or members of the Key Management Personnel to whom any recommendations relate and sets out the processes to be followed in requesting information from, and providing reports to, the Company to ensure that these obligations are met. The Board is satisfied that the remuneration outcomes were free from undue influence by any Key Management Personnel on the basis that the processes described above were followed and were designed to ensure such an outcome.

In 2015, the following advisers have been appointed by the Board in this capacity and have generated fees as set out in Table 2:

Table 2 – Independent advice

INDEPENDENT CONSULTANT	FEES PAID (EXCL GST)	NATURE OF ADVICE
Egan Associates	$54,390	KMP-related advice including reward policy and practice, for Executive and Non-Executive Key Management Personnel, retention considerations, conduct of market research, updating the Board on matters relevant to KMP and NED reward, advice on market practices across industrials, materials and resources companies, to maintain the Board's awareness of contemporary market trends.
EY	$20,085	KMP-related advice including reward policy, practice and retention considerations. Updating the Board on matters relevant to KMP in order to maintain the Board's awareness of contemporary market trends. No remuneration recommendations were provided.

C. NON-EXECUTIVE DIRECTOR REMUNERATION (AUDITED)

The Board, in conjunction with the Human Resources Committee, seeks to establish NED remuneration at a level that enables Arrium to attract and retain Directors of the highest calibre at a cost that is responsible and acceptable to shareholders.

The remuneration arrangements for NEDs are benchmarked against related industries with due regard to factors such as total revenue, market capitalisation, assets under management and profit. Such analysis indicates that the structures in place are appropriate and are consistent both with industry practice and principles of good corporate governance.

The key principles that underpin the Board's approach to NED remuneration are:

Board fees are approved by shareholders

The limit on the current total annual aggregate fee pool for NEDs of $2 million was approved at the 2006 Annual General Meeting as required by Article 9.8 of the Constitution of the Company and under ASX Listing Rule 10.17. The Board will not seek any increase to this fee pool at the 2015 Annual General Meeting.

Remuneration is designed to preserve independence

The structure of Arrium's NED remuneration is separate and distinct from that applicable to the Lead Team. NEDs have not been granted shares or rights under the Group's LTI Performance Rights Plan, nor do they receive any bonus or other performance-based remuneration.

Review of Non-Executive Director remuneration

There have been no adjustments to NED fees this year. The appointment of the new Board Chairman resulted in a reduction to the annual fee. NED fees are outlined in Table 10 on page 67. NEDs continue to be paid competitively and appropriately at this time.

D. EXECUTIVE REMUNERATION (AUDITED)

Strategy and structure

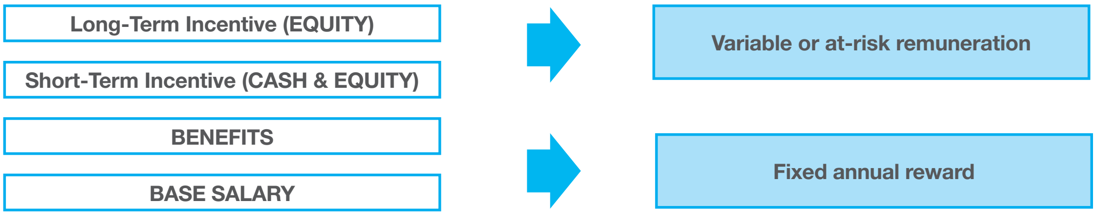
The objective of Arrium's executive remuneration framework is to pay market competitive remuneration, recognising skills and experience, and to reward performance and the achievement of strategic objectives leading to the creation of shareholder value.

Arrium seeks to provide competitive remuneration that will attract, motivate and retain executives.

Arrium's remuneration strategy is to align fixed annual reward levels around the median of executives' local salary markets. Executives can be paid above or below the median consistent with their capability and demonstrated value to the business. It is also Arrium's policy to position variable or at-risk remuneration such that total remuneration can be positioned above, at or below the relevant market median dependent on the level of the Company's and the Executive's performance.

For the Lead Team, remuneration consists of fixed annual reward (FAR) (incorporating a base salary and other benefits including superannuation, salary sacrifice items, other employment benefits and appropriate tax) and at-risk components.

The structure of Arrium's executive remuneration arrangements is shown below:



Fixed Annual Reward
The level of salary is set so as to provide a level of remuneration that is both appropriate to the executive's skills, experience and performance and competitive in the market. The review process involves assessment of the Group, Business and individual performance, analysis of comparative market and internal remuneration information, and independent external advice on policies and practices. In all cases, independent advice received from Egan Associates is used to determine market movement and to provide input into any recommended changes to Executives' FAR.

Members of the Lead Team are provided flexibility to receive their FAR in a variety of forms, including cash, superannuation and non-monetary employment benefits such as motor vehicles.

The at-risk components are:

Short-Term Incentives (STI)
STI give executives the opportunity to earn a cash and share bonus contingent upon performance against a combination of agreed financial, safety, business and individual performance targets, which are set by the Board in consultation with the MD&CEO at the start of each financial year and is administered over the financial year. The Deferred STI Program is designed to further align executives' and shareholders' interests: to drive shareholder returns and to support Executive retention. The cash component equates to two thirds of the bonus with the remaining one third via Arrium ordinary shares, where the shares are subject to a two-year service condition from the date of Award. Executives will receive any dividends relating to shares during the residual service vesting period. The maximum payment is only paid on acheivement of outstanding "stretch" outcomes.

Satisfactory performance is a prerequisite for participation in the STI Plan. Participation may be suspended or reduced where a participant has fallen short of performance expectations.

Lead Team members' actual STI payments are subject to approval by the Board.

The Board reserves the right to modify or cancel the STI Plan at any time. This may occur due to unsatisfactory business performance and/or other significant changes in business operating conditions or assumptions. The Board has discretion to reduce or cancel STI awards in the event of a material financial misstatement or other disentitling event.

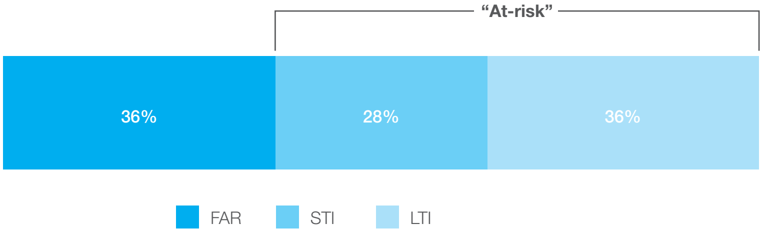
If an executive resigns during the measurement period, they will generally not be entitled to receive an STI payment.

Long-Term Incentives (LTI)
LTI give executives the opportunity to acquire Arrium ordinary shares where they succeed in achieving outcomes linked to the creation of long-term sustainable growth for shareholders over a three-year period. The Performance Rights Plan ("PRP") continued to operate in the year ended 30 June 2015. The objective of the PRP is to reward participating executives for the sustained creation of shareholder wealth and to align the interests of executives with the Company's shareholders.

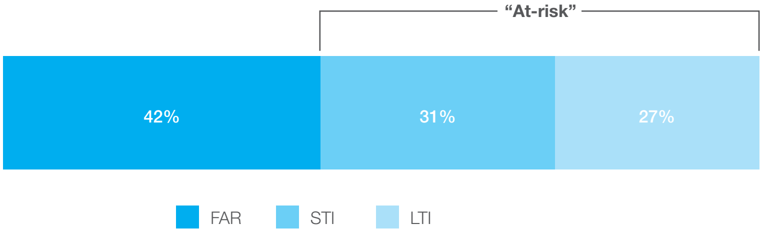
Remuneration is reviewed annually towards the end of the financial year, and changes are applied from 1 July of the following year for the Lead Team. The remuneration structure is designed to ensure that Executives have a significant portion of remuneration at-risk. Graph 1 below sets out the target mix of fixed and at-risk pay (as a proportion out of a total 100%) for the MD&CEO and other members of the Lead Team.

Graph 1

MD & CEO Remuneration as a % of total



Other Lead Team Remuneration as a % of total



The relationship between Group strategy and reward

A key underlying principle of Arrium's executive remuneration strategy is that remuneration should be strongly linked to Group performance. Each element of an executive's remuneration is linked or aligned with various drivers of shareholder value. This relationship is set out in Table 3.

Table 3 – Performance link with reward

PERFORMANCE INDICATOR	LINK TO EXECUTIVE REWARD
NPAT and EBITDA[1] Cash	Together, NPAT and EBITDA along with cash targets account for the majority of the STI weighting, though the weighting varies by individual to align to the relevant Group or Business strategy.
Safety	10% STI weighting on significant safety improvement for all eligible Arrium employees.
Increasing shareholder wealth	LTI performance hurdles are equally weighted between earnings per share ("EPS") and relative total shareholder return ("TSR").
Execution of key strategic initiatives that drive future value for shareholders	Variable weighting in STI, depending on the role and expected contribution. Generally up to 20% of an individual's targets will be directed to strategically oriented personal goals.
Behaving in a manner consistent with our core values of safety and customer	Assessed through the Performance Planning and Management (PPM) process and considered in any FAR adjustment. Behaving in a manner consistent with the core values is a threshold for any potential STI payment.
Ensuring alignment between employees' and shareholders' interests	Board discretion to reduce or cancel potential STI or LTI awards in a range of circumstances, including in the event of a material financial misstatement. Overall reward is delivered through a balance of cash and equity to align the interests of the stakeholders. There have been no instances of a reduced or cancelled award as a result of a material financial misstatement.

1. Any payment outcomes are measured against underlying financial results, but prior to making a final determination the Board has regard for any special or mitigating considerations relating to statutory financial results.
2. Details of the reconciliation between underlying and statutory financial measures can be found in the Operating and Financial Review.

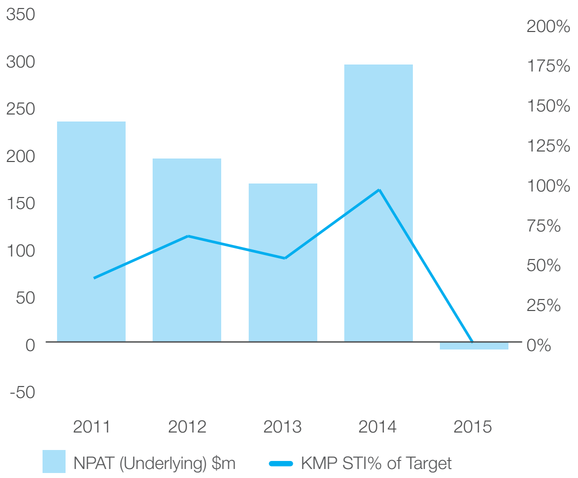
A significant portion of payments under the STI Plan and vesting of all grants under the LTI PRP are contingent upon the financial performance of the Arrium Group. The Group's financial performance over the last 5 financial years is illustrated in Table 4, which shows underlying NPAT, EPS and dividends per share, together with the aggregate KMP STI payments. Graph 2 shows the relationship between the NPAT performance of the Group and the KMP's average STI payments for the five years.

Table 4 – Arrium Group Financials

YEAR ENDED 30 JUNE	BEGINNING SHARE PRICE	ENDING SHARE PRICE	STATUTORY NPAT ($m)	UNDERLYING[1] NPAT ($m)	UNDERLYING[1] EPS (CENTS)[2]	DIVIDENDS PER SHARE (CENTS)	KMP STI PAYABLE ($m)	KMP STI AS THE AVERAGE PERCENTAGE OF TARGET[3]
2015	0.69	0.14	(1,918.2)	(6.7)	(0.1)	Nil	Nil	0%
2014	0.68	0.69	205.4	296.3	21.8	9.0	4.1	101%
2013	0.75	0.68	(701.1)	161.9	12.2	5.0	2.0	54%
2012	1.61	0.75	57.7	195.0	14.6	6.0	2.6	73%
2011	2.59	1.61	230.3	235.4	17.7	10.0	1.4	39%
2010	2.24	2.59	258.4	240.6	18.2	11.0	3.3	168%

1. Details of the reconciliation between underlying and statutory financial measures can be found in the Operating and Financial Review.
2. Based on weighted average number of shares outstanding at 30 June.
3. Excludes STI percentage for executives of Steel and Tube Holdings. Arrium disposed of its 50.3% stake in Steel & Tube Holdings on 9 October 2012.

Graph 2



Graph 3 demonstrates performance against the TSR hurdle over the LTI vesting period for awards granted after 2010. The graph compares the Arrium TSR against the applicable Comparator Index (all of the entities in the S&P/ASX 200 Index, excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sector).

Graph 3

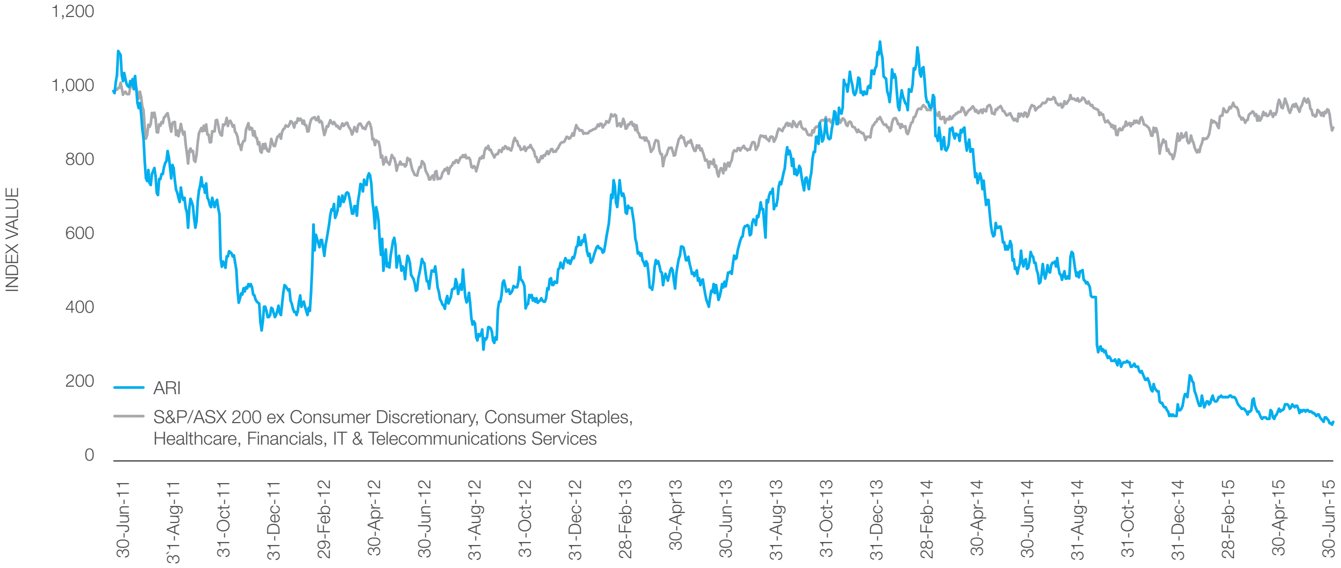


Table 5 – LTI Plan – A summary of the key attributes of the LTI PRP

ATTRIBUTE	LTI PERFORMANCE RIGHTS PLAN
Award	Rights to fully paid Arrium ordinary shares.
Participation	Offered to the Lead Team and selected employees who are able to significantly influence Arrium's performance over the long term and therefore the creation of shareholder wealth.
Performance period	Three years.
Access to retesting	No retesting.
Performance hurdles	– 50% of rights assessed against relative TSR, measured against the S&P/ASX 200 Index (excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors) (see table 6 below). – 50% of rights assessed against compound annual growth in average earnings per share. Target established by the Board for each allocation (see table 7 below).
Vesting	Rights vest in proportion to the performance hurdles met (see Table 6 and Table 7 below).
Dividends	No entitlement to dividends.
Governance	Lead Team members' LTI allocations and any vesting determinations are subject to approval by the Board. The Board has discretion to reduce or cancel LTI awards in the event of a material misstatement or other disentitling event.
Voting rights	No.

Performance Rights Plan performance hurdles

As noted in Table 5 above, there are two performance hurdles under the PRP, with 50% of rights vesting against each hurdle. One hurdle is Arrium's TSR relative to a comparator index. The second relates to Arrium's EPS. The former scheme was similarly structured with the last vesting test date of 30 June 2015 and the two performance measures tested were TSR and CPI+5% .

These two complementary performance measures have been carefully and specifically determined by the Board so as to provide executives with an incentive to create shareholder wealth over a sustained period.

Arrium’s TSR performance relative to the comparator index

TSR measures the growth in the price of Arrium’s ordinary shares plus dividends notionally reinvested over the relevant performance period. The relative TSR measure will assess Arrium’s TSR performance against entities in the TSR ranking group over the performance period. The TSR ranking group will be all of the companies in the S&P/ASX 200 Index, excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors (approximately 115 companies in total).

The benchmark companies chosen for the PRP for comparing Arrium’s TSR regards the nature of Arrium’s operations, its customer and supplier base and its international reach and considers a comparator that contains all industrial companies, all materials and resources companies and significant others which, in the Board’s judgement, represent a testing group of relevant comparators. For all rights to vest in respect of this performance hurdle, Arrium’s TSR over the three-year period must outperform 85 or more of the 115 relevant companies, which the Board believes represents an appropriate stretch performance target.

For the 2015 offer, the performance period for the relative TSR measure will be the three-year period commencing on 1 July 2015 and ending 30 June 2018 (“Performance Period”). For the purposes of this measurement, TSR will be calculated using the volume weighted average share price for the Company’s shares over a 10 consecutive trading day period starting two months prior to the end date of the Performance Period and ending two months after the end date of the Performance Period. The relevant 10 consecutive trading day period will be determined by that which gives the highest level of vesting achieved during the Performance Period.

Fifty percent of the total rights awarded vest to participants at the end of the three-year Performance Period subject to the performance of Arrium’s TSR relative to the comparator index over the Performance Period according to Table 6:

Table 6 – TSR vesting proportions to the comparator index

TSR PERFORMANCE RELATIVE TO THE COMPARATOR INDEX	PROPORTION OF RIGHTS VESTING AS ARRIUM ORDINARY SHARES
Below the 50th percentile	Nil
At the 50th percentile	50%
Between the 50th percentile and 75th percentile	Pro-rata straight-line between 50% and 100%
At or above the 75th percentile	100%

Arrium’s EPS

EPS is the basic EPS disclosed in Arrium’s full year Financial Report adjusted for non-recurring or non-trading items as determined by the Board. The EPS hurdle measures Arrium’s EPS growth (as an annual compound percentage) between the final year of the Performance Period for the EPS hurdle (being the year ending 30 June 2018 for the 2015 offer) and the financial year ending immediately prior to the date of grant of the relevant rights (being the year ended 30 June 2015 for the 2015 offer). EPS growth is then compared against the EPS targets for Arrium as determined by the Board for the prior corresponding period. The underlying EPS result for the period is used to measure vesting outcomes but the Board has regard for any special or mitigating considerations relating to statutory earnings.

Fifty percent of the total rights awarded vest to participants at the end of the three-year Performance Period subject to Arrium’s EPS growth over the performance period. Rights granted and subject to the EPS performance hurdle for the 2015 and 2014 offers vest according to Table 7:

Table 7 – EPS vesting proportions

COMPOUND GROWTH IN ARRIUM UNDERLYING EPS OVER THE PERFORMANCE PERIOD	PROPORTION OF RIGHTS VESTING AS ARRIUM SHARES
Less than 5%	Nil
5%	25%
Greater than 5% up to 15%	Pro-rata straight-line between 25% and 100%
Greater than 15%	100%

Prior to the approval of the vesting of rights, independent external verification will be sought to confirm that the vesting conditions have been satisfied. If an executive ceases employment with Arrium before the performance condition is tested, then the executive’s unvested rights will generally lapse. However, all or some of the rights may vest to an executive on ceasing employment when special circumstances apply at the discretion of the Board including redundancy, death and permanent disability.

Details of equity-based compensation provided to KMP and current shareholdings of Directors are contained in Section E of this Report.

Participation in other equity plans

Together with all Australian resident permanent employees of Arrium, executives are eligible to participate in either the Tax Exempt or Tax Deferred Share Plans. Under these plans when offered, employees are able to make salary sacrifice contributions to purchase Arrium ordinary shares on-market on a monthly basis. Details of the Tax Exempt and Tax Deferred Share Plans are set out in Note 28 to the Financial Statements.

Dealing in Company securities

Directors and relevant executives are precluded from dealing in Arrium securities at any time if they are aware of price sensitive information that has not been made public. Directors and executives must not use any derivatives or enter into margin lending arrangements in relation to Arrium securities.

Subject to that overriding rule, Company policy permits Directors and relevant executives to deal in Arrium securities during set trading windows throughout the year.

E. DETAILS OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2015 (AUDITED)

Short-Term Incentives (STI)

Despite certain KMP acheiving components of the STI criteria set out at the commencement of the performance year, the Board exercised its discretion to not award any STI payments to KMP for the FY15 year.

The performance criteria, weighting and outcomes are outlined below.

Table 8

	GROUP FINANCIAL OUTCOMES		DIVISIONAL FINANCIAL OUTCOMES		SAFETY TARGETS		INDIVIDUAL TARGETS	
	ACHIEVED[1]	% FORFEITED	ACHIEVED[1]	% FORFEITED	ACHIEVED[1]	% FORFEITED	ACHIEVED[1]	% FORFEITED
A G Roberts	No	100%	N/A	N/A	Yes	100%	Yes	100%
R C Bakewell	No	100%	N/A	N/A	Yes	100%	Yes	100%
J T Barbagallo	No	100%	Yes	100%	Yes	100%	Yes	100%
G D A Feurtado	No	100%	No	100%	Yes	100%	Yes	100%
S H Hamer	No	100%	No	100%	Yes	100%	Yes	100%
G A Waters	No	100%	No	100%	Yes	100%	Yes	100%
N M James	No	100%	N/A	N/A	Yes	100%	Yes	100%

1. An achieved outcome of “Yes” indicates that the target set has resulted in at least a minimum threshold result where some payment would have been made.

Safety outcomes are assessed against improvement in Medically Treated Injury Frequency Rate (5%) (measuring the number of medically treated injuries across the combined employee and contractor workforce per 1,000,000 employee hours) as well as substantive improvement in the identification and management of significant safety risks (5%).

Long-Term Incentives (LTI)

During the year 541,572 Rights from the 2011 LTI vested for the KMP.

Actual remuneration outcomes

Table 11 provides details of executive KMP remuneration as required by the *Corporations Act 2001* (Cth). As the information required to be presented includes the accounting value of equity awards, the Human Resources Committee is aware that it may be difficult for shareholders to interpret the value Lead Team executives actually derived during the FY15. Table 9 below therefore outlines the value of the total remuneration (fixed annual reward, STI earned, the value of any LTI awarded in prior years that vested during 2015, and any other payments received in the period) received in the 2015 financial year.

Table 9 – Remuneration outcomes

NAME	FIXED ANNUAL REWARD[1] $	SHORT-TERM INCENTIVE EARNED $	LONG-TERM INCENTIVE (VALUE VESTED IN 2015)[2] $	TERMINATION BENEFITS $	OTHER LONG TERM LEAVE ENTITLEMENTS	TOTAL REMUNERATION RECEIVED $
A G Roberts	1,448,282	–	78,552	–	179,113	1,705,947
R C Bakewell	994,135	–	78,552	–	119,461	1,192,148
J T Barbagallo	628,281	–	23,565	–	81,206	733,052
G D A Feurtado	629,528	–	61,507	–	40,562	731,597
S H Hamer	930,008	–	78,552	–	88,510	1,097,070
N M James	671,772	–	44,412	–	111,671	827,855
L J Selleck	57,666	–	69,093	210,000	–	336,759
G A Waters	890,009	–	68,733	–	86,970	1,045,712

1. Includes salary and fees and superannuation.
2. Fair value of rights vested during the year. Refer to Table 14.

Details of remuneration paid to Directors and executives meeting the definition of KMP under AASB 124 *Related Party Disclosures* of the Arrium Group are set out in Tables 10 and 11.

Table 10 – Remuneration of Non-Executive Directors

		SHORT-TERM BENEFITS			SUBTOTAL	POST-EMPLOYMENT BENEFITS	SHARE-BASED PAYMENTS		PROPORTION PERFORMANCE RELATED
	YEAR	SALARY & FEES	CASH BONUS	NON-MONETARY BENEFITS[1]		SUPERANNUATION	SHARES AND RIGHTS GRANTED	TOTAL	
		$	$	$		$	$	$	%
Non-Executive Directors									
R B Davis	**2015**	**173,516**	**–**	**–**	**173,516**	**16,484**	**–**	**190,000**	**–**
Non-Executive Director	2014	173,913	–	–	173,913	16,087	–	190,000	–
C R Galbraith, AM	**2015**	**168,950**	**–**	**–**	**168,950**	**16,050**	**–**	**185,000**	**–**
Non-Executive Director	2014	169,336	–	2,755	172,091	15,664	–	187,755	–
J C R Maycock	**2015**	**290,174**		**33,073**	**323,247**	**18,436**	**–**	**341,683**	**–**
Non-Executive Chairman	2014	–	–	–	–	–	–	–	–
P G Nankervis	**2015**	**173,516**	**–**	**–**	**173,516**	**16,484**	**–**	**190,000**	**–**
Non-Executive Director	2014	173,913	–	–	173,913	16,087	–	190,000	–
D C W Ritchie	**2015**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Non-Executive Director	2014	–	–	–	–	–	–	–	–
D A Pritchard	**2015**	**62,713**	**–**	**–**	**62,713**	**5,958**	**–**	**68,671**	**–**
Non-Executive Director	2014	164,760	–	–	164,760	15,240	–	180,000	–
P J Smedley	**2015**	**188,846**	**–**	**51,663**	**240,509**	**–**	**–**	**240,509**	**–**
Non-Executive Chairman	2014	495,000	–	34,788	529,788	–	–	529,788	–
G J Smorgon, AM	**2015**	**176,350**	**–**	**–**	**176,350**	**16,753**	**–**	**193,103**	**–**
Non-Executive Director	2014	173,913	–	–	173,913	16,087	–	190,000	–
R Warnock	**2015**	**159,817**	**–**	**–**	**159,817**	**15,183**	**–**	**175,000**	**–**
Non-Executive Director	2014	160,183	–	–	160,183	14,817	–	175,000	–
Total	**2015**	**1,393,882**	**–**	**84,736**	**1,478,618**	**105,348**	**–**	**1,583,966**	**–**
	2014	1,511,018	–	37,543	1,548,561	93,982	–	1,642,543	–

1. Including fringe benefits tax paid on benefits provided
2. Mr Pritchard retired as a non-executive director on 17 November 2014. In addition to the above remuneration he was paid a retirement allowance of $247,900 from the retirement plan discontinued on 17 November 2003.
3. Mr Smedley retired as a non-executive Chairman on 17 November 2014. In addition to the above remuneration he was paid a retirement allowance of $784,870 from the retirement plan discontinued on 17 November 2003.

Non-Executive Director Remuneration Quantum and Structure

The quantum and structure of Director fees since 1 January 2011 are:

BOARD/COMMITTEE	ROLE	ANNUAL FEE SINCE 1 JANUARY 2011
Board	Chairman Member	$425,000[1] $165,000
Audit & Compliance Committee	Chairman Member	$20,000 $5,000
Governance & Nominations Committee	Chairman Member	$15,000 $5,000
Human Resources Committee	Chairman Member	$15,000 $5,000
Occupational, Health, Safety & Environment Committee	Chairman Member	$15,000 $5,000
Operational Risk Committee	Chairman Member	$15,000 $5,000

1. Fees for the Chairman of the Board reduced from $495,000 as a result of the new appointment on 17 November 2014.

The Chairman of the Board does not receive any Board Committee fees.

Table 11 – Remuneration of Executive Director and Executives

	YEAR	SHORT-TERM BENEFITS: SALARY & FEES	SHORT-TERM BENEFITS: CASH BONUS[2]	SHORT-TERM BENEFITS: NON-MONETARY BENEFITS[1]	SUBTOTAL	POST-EMPLOYMENT BENEFITS: SUPER-ANNUATION	TERM-INATION BENEFITS	OTHER LONG TERM: LEAVE ENTITLE-MENTS	SHARE-BASED PAYMENTS[3]: RIGHTS	SHARE-BASED PAYMENTS[3]: SHARES	SHARE-BASED PAYMENTS[3]: SHARES (DEFERRED STI)	PRO-PORTION PERFOR-MANCE RELATED
		$	$	$	$	$	$	$	$	$	$	%
Executive Directors												
A G Roberts	**2015**	**1,418,282**	**–**	**2,056**	**1,420,338**	**30,000**	**–**	**179,113**	**(184,370)**	**–**	**120,000**	**(*)**
MD&CEO	2014	1,366,755	740,000	39,560	2,146,315	25,000	–	594,751	600,314	–	120,000	41.9
R C Bakewell	**2015**	**975,409**	**–**	**–**	**975,409**	**18,726**	**–**	**119,461**	**(197,235)**	**–**	**88,881**	**(*)**
Chief Financial Officer	2014	951,811	453,356	2,765	1,407,932	17,775	–	100,519	428,853	–	88,881	47.5
J T Barbagallo	**2015**	**603,281**	**–**	**42,265**	**645,546**	**25,000**	**–**	**81,206**	**(46,060)**	**–**	**29,219**	**(*)**
Chief Executive Mining Consumables	2014	551,019	175,342	13,097	739,458	25,000	–	112,011	173,194	–	29,219	35.0
G D A Feurtado	**2015**	**569,792**	**–**	**8,769**	**578,561**	**59,736**	**–**	**40,562**	**(158,841)**	**–**	**42,885**	**(*)**
Chief Executive Recycling	2014	558,963	257,346	10,477	826,786	56,505	–	73,538	304,775	–	42,885	46.4
S H Hamer	**2015**	**903,470**	**–**	**14,607**	**918,077**	**26,538**	**–**	**88,510**	**(187,623)**	**–**	**54,217**	**(*)**
Chief Executive Steel	2014	902,085	325,350	4,587	1,232,022	24,231	–	228,703	408,391	–	54,217	40.5
N M James	**2015**	**641,945**	**–**	**–**	**641,945**	**29,827**	**–**	**111,671**	**(114,250)**	**–**	**47,013**	**(*)**
Chief Executive Strategy												
L J Selleck *(retired 11 July 2014)*	**2015**	**51,097**		**10,829**	**61,926**	**6,569**	**210,000**	**–**	**(223,141)**	**–**	**–**	**(*)**
Chief Executive Operational Excellence	2014	737,414	425,000	–	1,162,414	99,527	–	94,925	210,992	–	–	40.6
G A Waters	**2015**	**865,009**	**–**	**33,111**	**898,120**	**25,000**	**–**	**86,970**	**(174,980)**	**–**	**82,992**	**(*)**
Chief Executive Mining	2014	862,547	498,025	–	1,360,572	25,000	–	127,413	388,930	–	82,992	48.9
Total	**2015**	**6,028,285**	**–**	**111,637**	**6,139,922**	**221,396**	**210,000**	**707,493**	**(1,286,500)**	**–**	**465,207**	**(*)**
	2014	5,930,594	2,874,419	70,486	8,875,499	273,038	–	1,331,860	2,515,449	–	418,194	43.3

1. Including fringe benefits tax paid on benefits provided and interest subsidy
2. Cash bonuses are in respect of short term incentives. The cash bonus disclosed for A G Roberts as a short term incentive for the year ended 30 June 2014 is the amount finally determined on 12 August 2014 after performance reviews were completed and approved by the Human Resources Committee.
3. Dividends paid to executives on unvested shares under the previous LTI Share Plan and Deferred STI Program are implicitly included in the fair value of the share-based payment expense recognised as remuneration. Dividends paid to the executives on unvested shares under the previous LTI Share Plan and Deferred STI Program held at the year were: A G Roberts $16,272 (2014: 16,385); R C Bakewell $12,855 (2014: $9,288); J T Barbagallo $3,982 (2014: $3,960); G D A Feurtado $5,276 (2014: $3,104); S H Hamer $9,049 (2014: $16,385); L J Selleck N/A (2014: $12,653); N M James $6,708 (2014: N/A); G A Waters $12,208 (2014: $14,474)

(*) Percentage not disclosed as the total amount of performance related remuneration expense was negative for the relevant period.

Other transactions and balances with Key Management Personnel

Key Management Personnel of Arrium Limited and its related parties or their related entities, conduct transactions with entities within the Arrium Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Key Management Personnel or their related entity at an arm's length in similar circumstances. These transactions include the following and have been quantified where the transactions are considered to be of interest to users of these financial statements as follows:

Table 12 – Shareholdings of Key Management Personnel (including Unvested)[1]

2015	HELD AT 1 JULY 2014 NUMBER	GRANTED AS REMUNERATION NUMBER	NET CHANGE OTHER NUMBER	HELD AT 30 JUNE 2015 NUMBER
Directors				
R B Davis	188,995	–	311,005	500,000
C R Galbraith, AM	200,000	–	200,000	400,000
J C R Maycock	–	–	750,000	750,000
P G Nankervis	146,890	–	371,890	518,780
D A Pritchard	143,921	–	143,921	287,842[2]
D C W Ritchie	–	–	–	–
A G Roberts	843,016	–	242,271	1,085,287
P J Smedley	410,455	–	410,455	820,910[3]
G J Smorgon, AM	15,107	–	100,000	115,107
R Warnock	23,941	–	51,941	75,882
Executives				
R C Bakewell	564,824	–	93,629	658,453
J T Barbagallo	150,938	–	105,971	256,909
G D A Feurtado	192,556	–	69,182	261,738
S H Hamer	413,101	–	1,705	414,806
N M James	248,655	–	(16,682)	231,973
L J Selleck	586,629	–	(66,565)	520,064[4]
G A Waters	628,567	–	142,866	771,433
Total	4,757,595	–	2,911,589	7,669,184

1. Include ordinary shares held directly, indirectly or beneficially including held by their related parties.
2. D A Pritchard held 287,842 shares as at the date he ceased to be Key Management Personnel, being 17 November 2014
3. P J Smedley held 820,910 shares as at the date he ceased to be Key Management Personnel, being 17 November 2014
4. L J Selleck held 520,064 shares as at the date he ceased to be Key Management Personnel, being 11 July 2014.

Table 13 – Rights Holdings of Key Management Personnel (including Unvested)

2015	HELD AT 1 JULY 2014 NUMBER	GRANTED AS REMUNERATION[2] NUMBER	NET CHANGE OTHER NUMBER	HELD AT 30 JUNE 2015 NUMBER
Directors				
R B Davis	–	–	–	–
C R Galbraith, AM	–	–	–	–
J C R Maycock	–	–	–	–
P G Nankervis	–	–	–	–
D C W Ritchie	–	–	–	–
D A Pritchard	–	–	–	–
A G Roberts	2,216,220	1,768,972	(327,506)	3,657,686
P J Smedley	–	–	–	–
G J Smorgon, AM	–	–	–	–
R Warnock	–	–	–	–
Executives				
R C Bakewell	1,714,391	914,985	(327,506)	2,301,870
J T Barbagallo	609,614	573,390	(98,251)	1,084,753
G D A Feurtado	1,260,749	573,390	(349,047)	1,485,092
S H Hamer	1,612,772	878,386	(327,506)	2,163,652
N M James	1,026,698	573,390	(184,222)	1,415,866
L J Selleck	982,748	–	(982,748)	–[1]
G A Waters	1,552,437	841,786	(286,568)	2,107,655
Total	10,975,629	6,124,299	(2,883,354)	14,216,574

1. L J Selleck forfeited all unvested rights as at the date he ceased to be Key Management Personnel, being 11 July 2014.
2. The number of shares granted to Key Management Personnel as deferred short-term incentive remuneration as at 1 July 2014 are the amounts finally allotted to each executive on 2 September 2014 after performance reviews were completed and approved by the Human Resources Committee.

Loans to Key Management Personnel
There were no loans made to or outstanding from Key Management Personnel during the year.

Share-based compensation benefits
For each grant of shares and rights included in the remuneration of KMP, the percentage of the grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the KMP did not meet the service and/or performance criteria is set out below.

The maximum value of the shares and rights yet to vest has been determined as the amount of the grant date fair value of the shares and rights that are yet to be expensed. No shares or rights will vest if the service and/or performance criteria are not satisfied, hence the minimum value of the share and right grants yet to vest is nil.

Table 14 – Share-based compensation

	PLAN[1]	DATE OF GRANT	NUMBER OF SHARES	FAIR VALUE PER SHARE AT DATE OF GRANT	AWARD VALUE AT DATE OF GRANT	EXPIRY DATE	FIRST VESTING DATE	LAST VESTING DATE	VESTED	FORFEITED	MAXIMUM TOTAL VALUE OF GRANT YET TO VEST
				$	$				%	%	$
Executive Directors											
A G Roberts	SP	26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	327,506	0.98	319,318	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	681,818	0.49	330,682	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	1,206,896	0.96	1,152,586	1/07/2016	1/07/2016	1/07/2016	–	–	384,195
	DS[2]	18/08/2014	439,193	0.82	360,000	30/06/2016	30/06/2016	30/06/2016	–	–	120,000
	PRP	18/11/2014	1,768,972	0.19	340,527	30/06/2017	30/06/2017	30/06/2017	–	–	227,018
Executives											
R Bakewell	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	327,506	0.98	319,318	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	757,575	0.49	367,424	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	629,310	0.96	600,991	1/07/2016	1/07/2016	1/07/2016	–	–	200,330
	DS[2]	18/08/2014	325,300	0.82	266,644	30/06/2016	30/06/2016	30/06/2016	–	–	88,881
	PRP	18/11/2014	914,985	0.19	176,135	30/06/2017	30/06/2017	30/06/2017	–	–	117,423
J T Barbagallo	SP	26/08/2009	18,198	2.88	52,410	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	25,799	2.27	58,564	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	98,251	0.98	95,795	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	136,363	0.49	66,136	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	375,000	0.96	358,125	1/07/2016	1/07/2016	1/07/2016	–	–	119,375
	DS[2]	18/08/2014	106,941	0.82	87,658	30/06/2016	30/06/2016	30/06/2016	–	–	29,219
	PRP	18/11/2014	573,390	0.19	110,378	30/06/2017	30/06/2017	30/06/2017	–	–	73,585
G Feurtado	SP	26/08/2009	16,682	2.88	48,044	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	18,919	2.27	42,946	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	98,251	0.98	95,795	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	24/02/2012	250,796	0.62	154,240	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	515,151	0.49	249,848	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	396,551	0.96	378,706	1/07/2016	1/07/2016	1/07/2016	–	–	126,235
	DS[2]	18/08/2014	156,955	0.82	128,654	30/06/2016	30/06/2016	30/06/2016	–	–	42,885
	PRP	18/11/2014	573,390	0.19	110,378	30/06/2017	30/06/2017	30/06/2017	–	–	73,585
S H Hamer	SP	26/08/2009	78,861	2.88	227,120	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	327,506	0.98	319,318	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	681,818	0.49	330,682	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	603,448	0.96	576,293	1/07/2016	1/07/2016	1/07/2016	–	–	192,098
	DS[2]	18/08/2014	198,429	0.82	162,650	30/06/2016	30/06/2016	30/06/2016	–	–	54,217
	PRP	18/11/2014	878,386	0.19	169,089	30/06/2017	30/06/2017	30/06/2017	–	–	112,726
N M James	SP	26/08/2009	16,682	2.88	48,044	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	51,598	2.27	117,127	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	184,222	0.98	180,538	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	454,545	0.49	220,454	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	387,931	0.96	370,474	1/07/2016	1/07/2016	1/07/2016	–	–	123,491
	DS[2]	18/08/2014	172,000	0.82	140,986	30/06/2016	30/06/2016	30/06/2016	–	–	46,995
	PRP	18/11/2014	573,390	0.19	110,378	30/06/2017	30/06/2017	30/06/2017	–	–	73,585
L J Selleck	SP	26/08/2009	54,596	2.88	157,236	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	85,997	2.27	195,213	1/07/2015	1/07/2013	1/07/2015	–	100	–
	PRP	30/08/2011	266,098	0.98	259,446	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	24/02/2012	34,832	0.62	21,422	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	681,818	0.49	330,682	1/07/2015	1/07/2015	1/07/2015	–	–	–
G A Waters	SP	26/08/2009	57,629	2.88	165,972	1/07/2014	1/07/2012	1/07/2014	–	100	–
	SP	25/08/2010	103,196	2.27	234,255	1/07/2015	1/07/2013	1/07/2015	–	–	–
	PRP	30/08/2011	286,568	0.98	279,404	1/07/2014	1/07/2014	1/07/2014	25	75	–
	PRP	5/11/2012	681,818	0.49	330,682	1/07/2015	1/07/2015	1/07/2015	–	–	–
	PRP	23/09/2013	584,051	0.96	557,769	1/07/2016	1/07/2016	1/07/2016	–	–	185,923
	DS[2]	18/08/2014	303,744	0.82	248,975	30/06/2016	30/06/2016	30/06/2016	–	–	82,992
	PRP	18/11/2014	841,786	0.19	162,044	30/06/2017	30/06/2017	30/06/2017	–	–	108,029

1. SP are shares issued under the former LTI Plan. PRP are rights issued under the LTI PRP. DS are shares issued under the Deferred STI Program.
2. The number of shares granted to Key Management Personnel as deferred short-term incentive remuneration as at 1 July 2014 are the amounts finally allotted to each executive on 2 September 2014 after performance reviews were completed and approved by the Human Resources Committee.
3. There were no awards under the FY15 Deferred STI Program.

F. EXECUTIVE SERVICE AGREEMENTS (AUDITED)

MD&CEO

Mr A G Roberts was appointed MD&CEO on 1 July 2013. His service will continue on an ongoing basis until terminated by either Arrium or Mr Roberts in accordance with the termination rights in the Executive Service Agreement (as described below). A comprehensive summary of the MD&CEO's employment agreement was lodged with the Australian Securities Exchange on 18 February 2013. ASX releases are available on Arrium's website. Key features of Mr Roberts' contract are outlined in the table below.

Table 15 – Summary of MD&CEO Service Agreement (from 1 July 2014)

FAR	Mr Roberts is paid a fixed annual reward of $1,450,000 per annum inclusive of superannuation.
STI	The STI target provides for a payment range of 0% to 120% of FAR with target at 80%. The maximum possible payment is only paid on outstanding "stretch" outcomes. Targets and actual payments are determined by the Board. Two thirds of any award will be delivered in cash, with the balance delivered through Arrium ordinary shares. The shares will have a two-year service hurdle before they become available to Mr Roberts. Mr Roberts will receive any dividends during the service vesting period. The Board has discretion to reduce or cancel STI awards in the event of a material financial misstatement or other disentitling event.
LTI	During his term as Chief Executive Mining Consumables, Mr Roberts was granted awards of Arrium Limited ordinary shares and rights to Arrium Limited ordinary shares as the long-term component of his remuneration. Mr Roberts has retained these shares and rights in his new role. The shares and rights are held in trust and vest according to the relevant performance hurdles detailed in Section D of this Report. Shares and rights granted to Mr Roberts under the current and former LTI Plans are set out in Table 14 of this Report. An LTI allocation of performance rights to the value of $2,175,000 will be granted to Mr Roberts, with a measurement period commencing 1 July 2015 and ending 30 June 2018. The volume weighted average price of Arrium ordinary shares in the 10-day period following the Group's full year financial results announcement to ASX will be used to calculate the number of rights to be issued to Mr Roberts. The rights will vest according to the performance hurdles under the PRP. The Board has discretion to reduce or cancel LTI awards in the event of a material misstatement or other disentitling event.
Notice of termination	Termination by the Company: 12 months' notice. Termination by the MD&CEO: 12 months' notice.
Termination provisions	In accordance with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, Mr Roberts' termination entitlements have been agreed in advance. The Company is satisfied that Mr Robert's termination entitlements as set out below are reasonable, having regard to current employment practices. Death, illness, incapacity or by appropriate notice by either party: – FAR and any accrued untaken statutory leave entitlements calculated to the agreed termination date. – Any amount of STI that has accrued from the previous financial year. The Board, in its absolute discretion, will determine the amount of the STI payable for the financial year in which termination occurs, if any. The Board, in its absolute discretion, will determine whether the MD&CEO may withdraw some or all of the shares or rights granted under the LTI Share Plan or Performance Rights Plan which have not vested. Termination for cause: No further obligations other than the amount of FAR due to him through to his termination date plus any statutory leave entitlements calculated to the termination date.
Non-compete	Upon termination of the MD&CEO's employment for any reason, the MD&CEO is prohibited from engaging in any activity that would compete with Arrium for a period of 12 months. Non-solicitation restraint for 24 months.

Other executive KMP

Outlined below are the key termination entitlements with respect to other executive KMP. These KMP are engaged on permanent employment arrangements with termination entitlements as below.

Table 16 – Termination entitlements

Notice of termination	Termination by the employee: 6 months' notice. Termination by employer: 12 months' notice
Termination provisions	Termination for any reason other than for cause: Arrium may pay up to 1.0 times' fixed annual reward at the time of termination. Termination at the end of a fixed term or the end of an extension period, by death, illness, incapacity, by appropriate notice by Arrium or from the individual due to a fundamental change in the business. In addition to the above payments, the Board, in its absolute discretion, will determine whether the individual may be able to withdraw some or all of the shares or rights granted under the current and former LTI Plan which have not vested.
Non-compete	Executives are also bound by non-compete clauses generally restraining them for a period of 12 months from taking up employment or engaging in activities which would be to the detriment of Arrium.

Signed in accordance with a resolution of the Directors.

Jerry Maycock
Chairman

Sydney, 19 August 2015

Andrew Roberts
Managing Director & Chief Executive Officer

Income Statement

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2015 $m	2014 $m
Sales revenue	3	5,896.3	6,502.0
Cost of sales		(5,452.8)	(5,290.7)
Gross profit		443.5	1,211.3
Other revenue	3	25.0	39.4
Other income	3	65.5	72.4
Operating expenses	3	(2,282.0)	(829.2)
Finance costs	3	(93.2)	(117.5)
Share of net profit of investments accounted for using the equity method		2.5	0.7
(Loss)/profit from continuing operations before income tax		**(1,838.7)**	**377.1**
Total income tax benefit/(expense)	5	28.0	(110.4)
(Loss)/profit from continuing operations after tax		**(1,810.7)**	**266.7**
Loss from discontinued operations after tax	21	(106.7)	(60.1)
Net (loss)/profit for the year		**(1,917.4)**	**206.6**
Net (loss)/profit for the year is attributable to:			
Non-controlling interests		0.8	1.2
Equity holders of the parent		(1,918.2)	205.4
		(1,917.4)	**206.6**

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2015 $m	2014 $m
(Loss)/profit after tax		**(1,917.4)**	**206.6**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Cash flow hedges:			
– net (losses)/gains taken to equity		(6.6)	2.9
– transferred to profit and loss		0.7	1.1
– transferred to initial carrying amount of hedged items		0.7	0.7
Currency translation differences:			
– net investment hedges		(246.5)	(3.8)
– reclassified to profit and loss		3.5	–
– exchange fluctuations on overseas net assets		290.6	(39.6)
Items that may not be reclassified subsequently to profit or loss:			
Remeasurement gains on retirement benefit obligation		9.4	9.8
Other comprehensive income/(loss), net of tax		**51.8**	**(28.9)**
Total comprehensive (loss)/income		**(1,865.6)**	**177.7**
Total comprehensive (loss)/income attributable to:			
Equity holders of the parent		(1,867.3)	176.6
Non-controlling interests		1.7	1.1
		(1,865.6)	**177.7**
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the parent:			
Basic (loss)/earnings per share (cents per share)	6	(70.99)	18.37
Diluted (loss)/earnings per share (cents per share)	6	(70.99)	18.16
(Loss)/earnings per share attributable to the ordinary equity holders of the parent:			
Basic (loss)/earnings per share (cents per share)	6	(75.17)	14.22
Diluted (loss)/earnings per share (cents per share)	6	(75.17)	14.05

The accompanying notes form an integral part of the financial statements.

Balance Sheet

AS AT 30 JUNE

	NOTES	CONSOLIDATED 2015 $m	2014 $m
ASSETS			
Current Assets			
Cash and cash equivalents		194.8	650.5
Receivables	8	617.6	627.4
Derivative financial instruments	19	14.7	8.0
Inventories	9	1,025.0	1,234.5
Current tax assets		5.6	15.1
Other current assets		9.2	10.1
Disposal groups and assets held for sale	21	87.4	124.9
Total Current Assets		**1,954.3**	**2,670.5**
Non-current Assets			
Receivables		0.3	–
Investments accounted for using the equity method		9.6	13.3
Derivative financial instruments	19	13.6	19.5
Other financial assets		–	1.0
Other non-current assets		33.8	22.6
Property, plant and equipment	14	2,113.8	2,672.2
Mine development expenditure	15	106.6	539.4
Other intangibles and goodwill	16	1,746.9	1,964.1
Deferred tax assets	5	262.2	99.7
Total Non-current Assets		**4,286.8**	**5,331.8**
TOTAL ASSETS		**6,241.1**	**8,002.3**
LIABILITIES			
Current Liabilities			
Payables	10	1,008.7	1,175.0
Derivative financial instruments	19	13.5	51.2
Interest-bearing liabilities	13	67.9	120.6
Current tax liabilities		8.7	13.5
Provisions	11	307.4	333.6
Disposal groups and liabilities held for sale	21	90.9	87.2
Total Current Liabilities		**1,497.1**	**1,781.1**
Non-current Liabilities			
Payables		0.3	0.3
Derivative financial instruments	19	4.4	3.6
Interest-bearing liabilities	13	1,877.1	2,237.6
Deferred tax liabilities	5	68.4	47.7
Provisions	11	238.9	201.1
Total Non-current Liabilities		**2,189.1**	**2,490.3**
TOTAL LIABILITIES		**3,686.2**	**4,271.4**
NET ASSETS		**2,554.9**	**3,730.9**
EQUITY			
Contributed equity	17	3,708.9	2,969.0
(Accumulated losses)/retained earnings		(1,180.5)	778.7
Reserves	24	20.8	(20.8)
Parent interests		2,549.2	3,726.9
Non-controlling interests		5.7	4.0
TOTAL EQUITY		**2,554.9**	**3,730.9**

The accompanying notes form an integral part of the financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE

	NOTES	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
		INFLOWS/(OUTFLOWS)	
Cash flows from operating activities			
Receipts from customers		6,642.1	7,663.7
Payments to suppliers and employees		(6,629.4)	(6,833.7)
Interest received		2.4	2.7
Interest and other finance costs paid		(86.5)	(111.0)
Income taxes paid		(40.7)	(43.0)
Net operating cash flows	12(A)	**(112.1)**	**678.7**
Cash flows from investing activities			
Purchases of property, plant and equipment		(255.3)	(253.3)
Mine development expenditure		(168.9)	(182.0)
Purchase of finite life intangible assets		(0.1)	–
Dividends received from joint venture		1.6	–
Proceeds from sale of property, plant and equipment		103.9	142.5
Proceeds from sale of businesses	21(F)	96.0	97.1
Proceeds from sale of joint venture		3.3	–
Net investing cash flows		**(219.5)**	**(195.7)**
Cash flows from financing activities			
Net proceeds from issue of shares		727.7	–
Proceeds from borrowings		2,926.9	2,625.4
Repayment of borrowings		(3,760.7)	(2,783.7)
Repayment of loan from joint venture		1.0	–
Loans to related party		–	(0.2)
Repayment of principal of finance leases		(1.1)	(1.2)
Dividends paid		(41.0)	(108.6)
Purchase of shares under equity-based compensation plans		(2.6)	(2.1)
Net financing cash flows		**(149.8)**	**(270.4)**
Net (decrease)/increase in cash and cash equivalents		(481.4)	212.6
Cash and cash equivalents at the beginning of the year		650.5	438.3
Effect of exchange rate fluctuations on cash held		25.7	(0.4)
Cash and cash equivalents at the end of the year		**194.8**	**650.5**

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2015

CONSOLIDATED	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT – CONTRIBUTED EQUITY – ISSUED CAPITAL $m	EMPLOYEE COMPEN-SATION SHARES $m	TOTAL CONTRI-BUTED EQUITY $m	ACCU-MULATED LOSSES $m	TOTAL RESERVES $m	TOTAL PARENT INTERESTS $m	NON-CONTROLLING INTERESTS $m	TOTAL EQUITY $m
Balance at 1 July 2014		**2,985.6**	**(16.6)**	**2,969.0**	**778.7**	**(20.8)**	**3,726.9**	**4.0**	**3,730.9**
Net (loss)/profit for the year		–	–	–	(1,918.2)	–	(1,918.2)	0.8	(1,917.4)
Other comprehensive income		–	–	–	–	50.9	50.9	0.9	51.8
Total comprehensive (loss)/income for the year, net of tax		–	–	–	(1,918.2)	50.9	(1,867.3)	1.7	(1,865.6)
Transactions with equity holders:									
Share-based payments reversal	24(D)	–	–	–	–	(1.8)	(1.8)	–	(1.8)
Dividends paid	7	–	–	–	(41.0)	–	(41.0)	–	(41.0)
Shares issued under Institutional and Entitlement Offer	17	754.1	–	754.1	–	–	754.1	–	754.1
Transaction costs arising on share issue, net of tax	17	(19.1)	–	(19.1)	–	–	(19.1)	–	(19.1)
Purchase of shares for equity based compensation	17	–	(2.6)	(2.6)	–	–	(2.6)	–	(2.6)
Shares vested	17, 24(D)	–	7.5	7.5	–	(7.5)	–	–	–
Total transactions with equity holders		735.0	4.9	739.9	(41.0)	(9.3)	689.6	–	689.6
Balance at 30 June 2015		**3,720.6**	**(11.7)**	**3,708.9**	**(1,180.5)**	**20.8**	**2,549.2**	**5.7**	**2,554.9**

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

CONSOLIDATED	NOTES	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT – CONTRIBUTED EQUITY – ISSUED CAPITAL $m	EMPLOYEE COMPEN-SATION SHARES $m	TOTAL CONTRI-BUTED EQUITY $m	RETAINED EARNINGS $m	TOTAL RESERVES $m	TOTAL PARENT INTERESTS $m	NON-CONTROLLING INTERESTS $m	TOTAL EQUITY $m
Balance at 1 July 2013		**3,803.6**	**(25.6)**	**3,778.0**	**(136.1)**	**6.4**	**3,648.3**	**2.9**	**3,651.2**
Net profit for the year		–	–	–	205.4	–	205.4	1.2	206.6
Other comprehensive loss		–	–	–	–	(28.8)	(28.8)	(0.1)	(28.9)
Total comprehensive income/(loss) for the year, net of tax		–	–	–	205.4	(28.8)	176.6	1.1	177.7
Transactions with equity holders:									
Share-based payments expense	24(D)	–	–	–	–	12.7	12.7	–	12.7
Dividends paid	7	–	–	–	(122.4)	–	(122.4)	–	(122.4)
Shares issued under dividend reinvestment plan	17	13.8	–	13.8	–	–	13.8	–	13.8
Purchase of shares for equity based compensation	17	–	(2.1)	(2.1)	–	–	(2.1)	–	(2.1)
Share capital reduction	17	(831.8)	–	(831.8)	831.8	–	–	–	–
Shares vested	17, 24(D)	–	11.1	11.1	–	(11.1)	–	–	–
Total transactions with equity holders		(818.0)	9.0	(809.0)	709.4	1.6	(98.0)	–	(98.0)
Balance at 30 June 2014		**2,985.6**	**(16.6)**	**2,969.0**	**778.7**	**(20.8)**	**3,726.9**	**4.0**	**3,730.9**

The accompanying notes form an integral part of the financial statements.

Basis of Preparation and Results for the Year

This section sets out the basis of preparation and the Group's accounting policies that relate to the financial report as a whole and details on the results and performance of the Group. This covers segmental information, profitability information and return to shareholders via earnings per share and dividends.

Where an accounting policy is specific to a single note, the policy is described in the note to which it relates. Except for changes in accounting policy explained below, the Group has consistently applied all accounting policies to all the years presented.

1. BASIS OF PREPARATION

The financial report comprises the consolidated entity consisting of Arrium Limited and its controlled entities. It is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001* (Cth), and applicable Australian Accounting Standards (including Australian Interpretations). The Group is a for profit entity.

The financial report of Arrium Limited for the year ended 30 June 2015 was authorised for issue in accordance with a resolution of the Directors on 19 August 2015.

It is recommended that the financial report be considered together with any public announcements made by Arrium Limited and its controlled entities during the year ended 30 June 2015 in accordance with the continuous disclosure obligations of the *Corporations Act 2001* (Cth).

COMPLIANCE WITH IFRS

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

EARLY ADOPTION OF STANDARDS

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2014.

HISTORICAL COST CONVENTION

The financial statements have been prepared under the historical cost convention, except for the following:

- derivative financial instruments that have been measured at fair value;
- assets held for sale – measured at lower of cost and fair value less cost of disposal; and
- retirement benefit obligations – plan assets/liabilities measured at fair value.

GOING CONCERN

The financial statements of Arrium Limited have been prepared on a going concern basis which contemplates the realisation of assets and the discharge of liabilities in the ordinary course of business.

The Group has net assets of $2,554.9 million, which have decreased since 30 June 2014 mainly as a result of non-cash impairment charges of $1,445.3 million. The Group has positive net current assets as at 30 June 2015 of $457.2 million.

The Group's net debt position (cash and cash equivalents less drawn debt facilities) is $1,750.2 million as at 30 June 2015. This has increased from the half year ended 31 December 2014 by $320.6 million. This was due to a weakening in the AUD exchange rate (as the majority of debt is repayable in US dollars) and cash outflows arising mainly from the restructuring of mining operations as well as a decrease in operating cash flows as a result of lower AUD iron ore prices during the period. While the decline in the AUD:USD exchange rate increases net debt in Australian dollars it also increases the Australian value of the company's US dollar denominated assets and income streams. In May 2015 Arrium refinanced approximately $200 million of debt facilities that were due to mature in the year ending 30 June 2017. The refinancing is for a four year period.

The Group prepares detailed cash flow forecasts. The 12 month cash flow forecast to August 2016 shows positive operating cash flows through that period. This cash flow forecast is subject to variation depending on the achievement of US dollar iron ore prices and AUD:USD exchange rate forecasts, which have been independently sourced and the achievement of forecast operating and capital cost outcomes which are well progressed. The Directors believe that alternative cash generating options exist in the event adverse economic conditions persist. The Group is in compliance with its debt covenants and, on the basis of its business plan (including a forecast average iron ore price of $US50/dmt for FY16 and forecast average Australian dollar to US dollar exchange rates of $0.75 for FY16) expects to remain in compliance over the forecast period referred to above.

In addition to the restructure of its Arrium Mining business announced on 15 June 2015, Arrium is undertaking a strategic review of its business following a detailed assessment of its balance sheet and portfolio. Debt reduction continues to be a key priority for the company. The review includes an assessment of options for achieving an appropriate structure and level of debt. This may include the potential divestment of significant assets or businesses.

On the basis of the above the directors continue to consider that the going concern basis of preparation is appropriate.

ROUNDING OF AMOUNTS

The financial report is prepared in Australian dollars. Amounts in the financial statements have been rounded to the nearest hundred thousand dollars, unless specifically stated to be otherwise under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the class order applies.

2. SEGMENT INFORMATION

	2015					2014				
	MINING CONSUMABLES[1] $m	MINING[1] $m	STEEL[1] $m	RECYCLING[1] $m	TOTAL SEGMENTS $m	MINING CONSUMABLES[1] $m	MINING[1] $m	STEEL[1] $m	RECYCLING[1] $m	TOTAL SEGMENTS $m
Segment revenues										
Sales to external customers	1,470.6	880.7	2,737.9	807.1	5,896.3	1,399.9	1,537.0	2,715.7	849.4	6,502.0
Intersegment revenue	69.8	–	77.4	255.2	402.4	64.6	–	89.5	279.7	433.8
Other revenue/income from external customers	4.5	7.8	54.3	10.2	76.8	13.4	31.6	70.0	3.1	118.1
Total segment income	1,544.9	888.5	2,869.6	1,072.5	6,375.5	1,477.9	1,568.6	2,875.2	1,132.2	7,053.9
Unallocated										
Discontinued operations[6]					292.0					626.9
Other revenue/income					22.0					2.7
Intersegment eliminations[2]					(510.1)					(551.4)
Consolidated income					6,179.4					7,132.1
Segment share of profit/(loss) of investments accounted for using the equity method	2.1	–	–	–	2.1	1.7	–	–	–	1.7
Unallocated					0.4					(1.0)
Consolidated share of profit of equity accounted investments					2.5					0.7
Segment earnings before interest, tax, depreciation, amortisation and impairment	202.2	90.2	61.8	8.3	362.5	172.1	685.9	50.8	12.1	920.9
Depreciation, amortisation and impairment	(49.2)	(187.6)	(95.0)	(10.7)	(342.5)	(45.3)	(204.6)	(103.6)	(10.8)	(364.3)
Segment earnings/(loss) before interest and tax	153.0	(97.4)	(33.2)	(2.4)	20.0	126.8	481.3	(52.8)	1.3	556.6
Restructuring costs[3]					(221.8)					(51.0)
Impairment[4]					(1,651.8)					(13.2)
Steel Transformation Plan[5]					–					(26.5)
Other costs					(12.6)					(5.6)
Finance costs					(93.2)					(117.5)
Unallocated										
Discontinued operations[6]					–					0.9
Other[7]					(16.3)					(59.8)
Intersegment eliminations[2]					1.8					(0.9)
Consolidated (loss)/profit before tax[8]					(1,973.9)					283.0
Tax expense					56.5					(76.4)
Consolidated (loss)/profit after tax					(1,917.4)					206.6

2. SEGMENT INFORMATION CONTINUED

	2015					2014				
	MINING CONSUMABLES[1] $m	MINING[1] $m	STEEL[1] $m	RECYCLING[1] $m	TOTAL SEGMENTS $m	MINING CONSUMABLES[1] $m	MINING[1] $m	STEEL[1] $m	RECYCLING[1] $m	TOTAL SEGMENTS $m
Segment assets	2,551.8	909.2	1,868.6	318.1	5,647.7	2,430.0	2,161.8	2,109.7	393.9	7,095.4
Investments accounted for using the equity method	9.6	–	–	–	9.6	8.6	–	–	–	8.6
Unallocated										
Tax assets					267.8					114.8
Cash and cash equivalents					194.8					650.5
Discontinued operations[6]					94.7					135.2
Other assets					68.4					65.2
Intersegment eliminations[2]					(41.9)					(67.4)
Consolidated assets					6,241.1					8,002.3
Segment liabilities	388.4	451.7	578.7	87.7	1,506.5	414.2	517.1	565.6	97.0	1,593.9
Unallocated										
Tax liabilities					77.1					61.2
Interest-bearing liabilities					1,945.0					2,358.2
Discontinued operations[6]					91.1					87.7
Other liabilities					106.7					234.2
Intersegment eliminations[2]					(40.2)					(63.8)
Consolidated liabilities					3,686.2					4,271.4
Other segment information										
Capital expenditure	81.2	271.8	61.1	4.7	418.8	70.6	294.5	60.5	4.8	430.4
Unallocated capital expenditure					5.5					4.9
Consolidated capital expenditure					424.3					435.3

1. Segment results are equivalent to the underlying results of each segment and are comprised of continuing operations only. The results of discontinued operations form part of unallocated.
2. Intersegment eliminations include eliminations between the reportable segments and discontinued operations.
3. Restructuring costs related to redundancies from organisation changes and other costs associated with restructuring comprising Mining $188.0m, Mining Consumables $1.8m, Steel $3.3m and Recycling $2.8m. The remaining balance is unallocated. In 2014, restructuring costs related to Mining $0.9m, Mining Consumables $22.5m, Steel $22.2m and Recycling $2.3m with the remaining balance unallocated.
4. Comprised of inventory writedown in Mining $205.9m and impairment of property, plant and equipment, mine development expenditures, goodwill and other intangible assets in Mining Consumables $0.4m, Mining $1,210.1m, Steel $147.8m and Recycling $52.2m. The remaining balance is unallocated. In 2014, impairment of $13.2m related to Mining Consumables $0.5m, Steel $6.6m and Recycling $1.6m with the remaining balance unallocated.
5. Relates to the write-off of outstanding grant receivable under the *Steel Transformation Plan Act 2011* in Steel segment due to the repeal of the carbon tax from 1 July 2014 under the Clean Energy Legislation (Carbon Tax Repeal) Act 2014
6. Before intersegment eliminations.
7. Includes corporate costs, share based payment expense for the vesting of rights under the Performance Rights Plan and other provisions and costs.
8. Consolidated (loss)/profit before tax includes a loss of $135.2m (2014: loss of $129.7m) relating to discontinued operations.

2. SEGMENT INFORMATION CONTINUED

IDENTIFICATION OF REPORTABLE SEGMENTS

The Group has identified its operating segments based on internal reporting that is reviewed and used by the MD&CEO and the executive management team in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the nature of the products provided, with each operating segment representing a strategic business unit that offers different products and serves different markets.

The reportable segments are based on operating segments including those that meet the aggregation criteria as determined by the similarity of the products produced and sold as these are the sources of the Group's major risks and have the most effect on the rates of return.

Mining

The Mining segment's operations are located in South Australia; the Middleback Ranges, approximately 60 kilometres from the Whyalla township, and Southern Iron, which includes the Peculiar Knob tenement, located approximately 90 kilometres from the Coober Pedy township. The Mining segment exports hematite iron ore to external customers and supplies both pelletised magnetite iron ore and some hematite lump iron ore to Arrium's integrated steelworks at Whyalla.

Mining Consumables

The Mining Consumables segment comprises the Moly-Cop grinding media businesses, Moly-Cop Ropes, Waratah Steel Mill and AltaSteel, with businesses located across North America, South America, Indonesia and Australia.

The Mining Consumables segment supplies resource companies with a range of key mining consumables, including grinding media, wire ropes and rail wheels.

Steel

The Steel segment manufactures billet at its integrated steelworks in Whyalla and two electric arc furnaces. The manufacturing operations also include several rolling and wire mills. The Whyalla steelworks produces common and special grade billet as feedstock for the downstream Rod and Bar mills as well as producing rail and structural steel products for sale to external customers. Billets produced from Whyalla Steelworks and the Sydney and Laverton electric arc furnaces are rolled into a wide range of long products for sale or further processing.

The Steel segment also distributes a diverse range of manufactured and externally sourced steel and metal products including structural steel sections, steel plate, angles, channels, reinforcing steel and carbon products to the construction, manufacturing and resource markets.

Recycling

The Recycling segment supplies steelmaking raw materials to domestic and international steel mills, as well as non-ferrous metals for recycling. The Recycling segment operates in 8 countries through a combination of physical operations in the form of collection sites and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and globally.

Intra/intersegment transfers

The Mining segment supplies pelletised and lump iron ore to the Steel segment. The Recycling segment sells raw materials to the Steel and Mining Consumables segment.

All sales between segments are conducted on an arm's length basis, with terms and conditions no more favourable than those which it is reasonable to expect when dealing with an external party, except for the transfer of iron ore from the Mining segment to the Steel segment which occurs at cost.

Unallocated

Investments accounted for using the equity method, cash and cash equivalents, current and deferred taxes, borrowings, derivative financial instruments and certain financial assets and liabilities are not allocated to the segments as they are managed on a group basis.

The results and balances of held for sale assets and discontinued operations have been classified as unallocated.

MAJOR CUSTOMERS

The Group has a number of customers to which it provides products. No single external customer generates 10% or more of the Group's revenue.

GEOGRAPHIC INFORMATION

In presenting information on the basis of geographical area, revenue is based on the operation's country of domicile. Non-current assets other than financial instruments and deferred tax assets are based on the geographic location of assets. The information below includes discontinued operations.

	2015		2014	
	AUSTRALIA $m	OTHER COUNTRIES $m	AUSTRALIA $m	OTHER COUNTRIES $m
Revenues from external customers				
Sales to external customers	4,487.8	1,597.7	5,386.9	1,619.7
Other revenue/income from external customers	54.6	39.3	112.0	13.5
Total income	4,542.4	1,637.0	5,498.9	1,633.2
Non-current assets	2,526.5	1,459.9	3,496.3	1,721.1

3. SIGNIFICANT INCOME STATEMENT ITEMS

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
(A) SALES REVENUE		
Product sales	5,891.4	6,495.9
Rendering of services	4.9	6.1
Total sales revenue	5,896.3	6,502.0
(B) OTHER REVENUE		
Interest received from unrelated parties	2.3	2.7
Other revenue[1]	22.7	36.7
Total other revenue	25.0	39.4
TOTAL REVENUE	5,921.3	6,541.4
(C) OTHER INCOME		
Net gains on disposal of property, plant and equipment	46.4	46.4
Other income	19.1	19.8
Net fair value gains	–	6.2
Total other income	65.5	72.4
TOTAL INCOME	5,986.8	6,613.8

1. 2014 includes grants received under the federal government Steel Transformation Plan which was repealed in July 2014.

ACCOUNTING FOR REVENUE AND OTHER INCOME

Revenue is recognised and measured at the fair value of the consideration received or receivable, to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Amounts disclosed as revenue earned from the sale of products or services are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of goods or the service has been delivered and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is recognised on a time proportion basis using the effective interest method.

Accounting for the changes in the fair value of the Group's derivatives can be found in Note 19.

ACCOUNTING FOR FINANCE COSTS

Finance costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance leases and net receipt or payment from interest rate swaps. Finance costs are expensed in the Income Statement, except where they relate to the financing of projects under construction, where they are capitalised up to the date of commissioning or sale.

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
(D) OPERATING EXPENSES		
Manufacturing and mining expenses	115.6	164.9
Distribution expenses[2]	183.8	182.9
Marketing expenses	104.8	113.8
Administrative expenses[1,2]	1,877.8	367.6
Total operating expenses	2,282.0	829.2

1. Includes impairment charges of $1,410.5m.
2. The prior period has been adjusted to reclassify $93.5m of expenses from administrative to distribution expenses in order to more accurately represent their nature in accordance with AASB 101.29.

	2015 $m	2014 $m
(E) FINANCE COSTS		
Interest expense related to:		
Bank loans	88.4	113.1
Finance leases	0.8	0.9
Net interest cost on defined benefit plans	1.7	1.9
Unwind of discount to present value	2.3	1.6
Total finance costs	93.2	117.5
(F) NET FAIR VALUE (LOSSES)/GAINS:		
Net fair value gains on financial liabilities designated in fair value hedges	9.5	6.6
Net fair value losses on derivatives designated in fair value hedges	(4.6)	(5.9)
Net fair value gains on derivatives not qualifying as hedges	47.5	11.1
Net losses on ineffectiveness on hedge of net Investments in foreign operations	(5.0)	–
Net losses on financial liabilities measured at amortised cost	(61.9)	(5.6)
	(14.5)	6.2

3. SIGNIFICANT INCOME STATEMENT ITEMS CONTINUED

	CONSOLIDATED	
	2015 $m	2014 $m
(G) (LOSS)/PROFIT BEFORE INCOME TAX INCLUDES THE FOLLOWING SPECIFIC EXPENSES:		
Depreciation of property, plant and equipment	218.0	222.8
Amortisation of mine development expenditure	98.5	94.7
Amortisation of finite-life intangible assets	27.3	47.9
Impairment of property, plant and equipment	605.2	8.7
Impairment of goodwill and other intangible assets	72.6	–
Impairment of mine development expenditure	512.9	–
Impairment of mining tenement rights	219.8	–
Writedown of inventory to net realisable value[1]	210.6	1.3
Minimum operating lease rentals	103.8	91.9
Restructuring costs[2]	157.2	48.7
Research and development costs[3]	100.0	167.7
(H) EMPLOYEE BENEFITS EXPENSE		
Included in employee benefits expense are the following items:		
Defined contribution company contributions	45.5	45.7
Defined benefit plan expense (Note 23)	11.1	17.4
Employee provisions[4]	105.4	167.2
Share-based payments expense	1.8	12.7

1. Includes writedown of Mining low grade ore stocks of $205.9m to net realisable value.
2 Restructuring costs related to redundancies from organisational changes and other direct expenditure associated with business restructures such as onerous leases.
3. Research and development costs largely consists of process and product improvement projects undertaken on the production line as part of the continuous drive for manufacturing efficiency and product advancement. Arrium undertakes many such projects.
4. Includes redundancies as part of restructuring activities.

4. IMPAIRMENT OF NON-CURRENT ASSETS

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset or cash generating unit (CGU) that may lead to impairment. These include business performance, technology, economic and political environments and future business expectations. If an impairment indicator exists, the recoverable amount of the asset is determined. Given the current uncertain economic environment, management considered that the indicators of impairment were significant enough, and as such, these assets have been tested for impairment in this financial period.

(A) IMPAIRMENT LOSSES RECOGNISED DURING THE YEAR

As a result of the impairment testing, asset impairment loss of $1,210.1m has been recognised in the Mining CGU primarily relating to the impact of low iron ore prices and the mothballing of Southern Iron, $52.2m in the Recycling group of CGUs, $117.1m in the Long Products Supply Chain CGU and $30.7m in the OneSteel Metal Centre CGU within the Steel group of CGUs primarily due to the impact of a delayed recovery in South East Asian steel margins on forecast future cash flows. The estimated recoverable amounts based on value in use for the Mining CGU, Recycling CGUs, Long Products Supply Chain CGU and OneSteel Metal Centre CGU is $453.3m, $233.5m, $831.2m and $164.5m respectively.

As a result of the announcement of the sale of the Wire Ropes business which forms part of the Mining Consumables group of CGUs, goodwill within the Mining Consumables group of CGUs was allocated to the Wire Ropes business and an impairment loss of $37m has been recognised and presented within results from discontinued operations.

Impairment losses recognised in “Operating Expenses” in the Income Statement during the year ended 30 June by category of assets are as follows:

	CONSOLIDATED	
	2015 $m	2014 $m
Goodwill	52.5	–
Mining tenement rights	219.8	–
Property, plant and equipment	605.2	8.7
Exploration rights	20.1	–
Mine development expenditure	512.9	–
	1,410.5	8.7

4. IMPAIRMENT OF NON-CURRENT ASSETS CONTINUED

(B) CARRYING AMOUNT OF GOODWILL AND INTANGIBLES WITH INDEFINITE USEFUL LIVES ALLOCATED TO EACH OF THE CGUs

For the purpose of impairment testing, goodwill and/or indefinite life intangibles have been allocated to the Group's CGUs/groups of CGUs which represent the lowest level within the Group at which they are monitored for internal management purposes.

The aggregate carrying value of goodwill and indefinite life intangibles according to the operating segments are as follows:

	CONSOLIDATED					
	2015			2014		
	GOODWILL $m	INDEFINITE LIFE INTANGIBLES $m	TOTAL $m	GOODWILL $m	INDEFINITE LIFE INTANGIBLES $m	TOTAL $m
Mining Consumables	1,300.1	57.0	1,357.1	1,251.6	48.2	1,299.8
Mining	–	–	–	–	17.4	17.4
Steel	190.9	–	190.9	190.9	–	190.9
Recycling	124.1	–	124.1	176.7	–	176.7
Unallocated	–	0.7	0.7	–	0.7	0.7
	1,615.1	57.7	1,672.8	1,619.2	66.3	1,685.5

(C) KEY ASSUMPTIONS USED IN VALUE IN USE CALCULATIONS

The recoverable amount of the CGUs/groups of CGUs to which goodwill and/or indefinite life intangibles have been allocated has been determined based on a value in use calculation using the cash flow projections based on the five-year forecast approved by the Board. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below.

	DISCOUNT RATE (POST-TAX)		TERMINAL GROWTH RATE	
CGU/GROUP OF CGUS	2015 %	2014 %	2015 %	2014 %
Mining Consumables	10.1	10.2	3.0	3.0
Mining	9.8	9.8	N/A	N/A
Steel	9.7	9.6	2.5	2.5
Recycling	9.5	9.5	2.5	2.5

The calculation of value in use is most sensitive to the following assumptions:

Discount rates

Discount rates reflect management's estimate of the time value of money and the risks specific to each CGU/group of CGUs that are not already reflected in the cash flows. In determining appropriate discount rates for each unit, regard has been given to a weighted average cost of capital of the entity as a whole and adjusted for country and business risk specific to the CGU. The Group has applied post-tax discount rates to discount the forecast future attributable post-tax cash flows. The equivalent pre-tax discount rates are as follows: Mining Consumables 11.9% (2014: 12.6%), Mining 14.3% (2014: 15.8%), Steel 12.1% (2014: 11.6%) and Recycling 11.3% (2014: 12.1%).

Gross margins

The basis used to determine the value assigned to the margins in the CGUs are the actual margins achieved, adjusted for efficiency improvement as well as movements in input costs and international steel prices in line with external sources of information.

Raw materials price inflation

Values assigned to this key assumption are consistent with external sources of information except for Arrium owned mines, where the value assigned is in line with mining contracts and other cost escalators such as oil.

Market conditions

Assumptions on key domestic market segment activity including construction, mining, agriculture and manufacturing are consistent with external sources of information. Assumptions including GDP, CPI and wages escalation are consistent with external sources of information. Long-term forecast exchange rates are used which are consistent with external sources of information.

Growth rate estimates

Growth rate are based on published industry research and do not exceed the growth rate of the markets or country to which the CGUs/group of CGUs are dedicated.

(D) SENSITIVITY TO CHANGES IN ASSUMPTIONS

For the following CGUs, the actual recoverable amount based on the value in use calculation exceeds its carrying amount. Management recognises that the cash flow projections, discount and growth rates used to calculate the value in use may vary to what they have estimated. Management notes the value in use estimate is particularly sensitive to the following assumptions:

	INCREMENTAL IMPAIRMENT LOSS	
CGU/GROUP OF CGUS	1% DISCOUNT RATE INCREASE $m	1% TERMINAL GROWTH RATE $m
Mining	12.2	N/A
Recycling	30.6	34.5
OneSteel Metal Centre	21.4	24.1

5. INCOME TAX

	CONSOLIDATED	
	2015 $m	2014 $m
(A) INCOME STATEMENT		
Current income tax charge	31.4	46.4
Over provided in prior years	0.1	1.6
Deferred tax (expense)/benefit relating to the origination and reversal of temporary differences	(88.0)	28.4
Income tax (benefit)/loss recognised in the Income Statement	(56.5)	76.4
(B) RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE		
(Loss)/profit before tax from continuing operations	(1,838.7)	377.1
Loss before tax from discontinued operations	(135.2)	(94.1)
Total (loss)/profit before income tax	(1,973.9)	283.0
Prima facie income (benefit)/tax expense calculated at 30% (2014: 30%)	(592.2)	84.9
Research and development allowance	(10.0)	(16.8)
Differences in overseas tax rates	0.4	(7.5)
Non-deductible goodwill impairment	27.6	0.7
Capital gains non-taxable	(14.5)	(17.2)
Adjustments in respect of income tax of previous years	0.1	1.6
Foreign currency translation differences	(46.7)	3.6
Unrecognised tax benefit relating to tax offsets/tax losses	233.3	–
Unrecognised tax benefit relating to asset impairment	274.8	–
MRRT related taxation expense	70.2	(9.8)
Other items	0.5	4.3
Total taxation (benefit)/expense	(56.5)	76.4
Aggregate income tax (benefit)/expense is attributable to:		
Continuing operations	(28.0)	110.4
Discontinued operations	(28.5)	(34.0)
	(56.5)	76.4

(C) MOVEMENT IN DEFERRED TAX BALANCES DURING THE YEAR

$m	BALANCE AT 1 JULY 2013	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPRE-HENSIVE INCOME	RECOGNISED DIRECTLY IN EQUITY	BALANCE AT 30 JUNE 2014	RECOGNISED IN INCOME STATEMENT	RECOGNISED IN OTHER COMPRE-HENSIVE INCOME	RECOGNISED DIRECTLY IN EQUITY	BALANCE AT 30 JUNE 2015
Deferred tax assets/(liabilities)									
Employee benefit provisions (including retirement benefit obligations)	97.4	(8.3)	–	–	89.1	(24.3)	3.8	–	68.6
Other provisions	46.3	1.5	–	–	47.8	39.1	–	–	86.9
Inventory provisions	(13.4)	(4.7)	–	–	(18.1)	3.1	–	–	(15.0)
Derivative financial instruments and interest bearing liabilities	52.2	(15.9)	(31.9)	–	4.5	17.1	43.5	–	65.1
Net unrealised foreign exchange gains/losses	0.7	(0.2)	–	–	0.5	(1.6)	–	–	(1.1)
MRRT starting base	132.9	(32.6)	–	–	100.3	(100.3)	–	–	–
Tax losses and offsets available against future taxable income	127.4	81.5	–	–	208.9	42.3	–	–	251.2
Share-based payments	0.5	4.9	–	–	5.4	(0.6)	–	–	4.8
Property, plant and equipment and intangibles	(254.5)	(25.2)	–	–	(279.7)	70.6	–	–	(209.1)
Deferred stripping	(33.6)	(22.4)	–	–	(56.0)	15.7	–	–	(40.3)
Research and development feedstock adjustment	(17.8)	10.2	–	–	(7.6)		–	–	(7.6)
MRRT income tax impact	(39.9)	9.8	–	–	(30.1)	30.1	–	–	–
Other items	33.4	(26.8)	–	–	6.5	(3.2)	–	7.8	11.1
	131.6	(28.2)	(31.9)	–	71.5	88.0	47.3	7.8	214.6

5. INCOME TAX CONTINUED

(C) MOVEMENT IN DEFERRED TAX BALANCES DURING THE YEAR CONTINUED

	CONSOLIDATED	
	2015 $m	2014 $m
Deferred tax balances are reflected in the balance sheet as follows:		
Deferred tax assets		
Continuing operations	262.2	99.7
Disposal groups and assets held for sale	21.7	19.7
	283.9	119.4
Deferred tax liabilities		
Continuing operations	68.4	47.7
Disposal groups and assets held for sale	0.9	0.2
	69.3	47.9
Net deferred tax assets	214.6	71.5

(D) TAX MOVEMENTS RELATING TO ITEMS OF OTHER COMPREHENSIVE INCOME

Deferred tax related to items charged or credited directly to other comprehensive income during the year		
Cash flow hedges:		
– net (loss)/gains deferred to equity	(0.1)	2.4
– transferred to profit and loss	(0.9)	(3.1)
– transferred to initial carrying amount of hedged items	0.2	–
Currency translation differences:		
– net investment hedges	44.3	(31.2)
Remeasurement gains on retirement benefit obligation	3.8	–
Income tax charged directly to other comprehensive income	47.3	(31.9)

(E) ACCOUNTING FOR INCOME TAXES

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

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

Deferred tax assets and liabilities are recognised for temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates which are enacted or substantively enacted for each jurisdiction at balance date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences in a transaction, other than a business combination, that at the time of the transaction affects neither accounting profit nor taxable profit and loss.

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

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

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

(F) TAX EFFECT ACCOUNTING BY MEMBERS OF THE TAX CONSOLIDATED GROUP

Arrium Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Arrium Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. The Group has applied the stand-alone taxpayer approach in determining the appropriate amount of current taxes to allocate to members of the tax consolidated group. Assets or liabilities arising under tax sharing agreements with the tax consolidated entities are recognised as amounts receivable from or payable to the head entity. The amounts receivable or payable under the tax sharing agreement are due upon receipt of the funding advice from the head entity which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Any difference between the amounts assumed and amounts receivable or payable under the tax sharing agreements are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(G) UNRECOGNISED DEFERRED TAX ASSETS

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Deferred tax assets have not been recognised in respect of the following items:

	CONSOLIDATED	
	2015 $m	2014 $m
Deductible temporary differences	274.8	–
Tax losses	233.3	–
Capital losses	7.9	76.9
	516.0	76.9

5. INCOME TAX CONTINUED

(H) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS RELATED TO INCOME TAX

The Group is subject to income taxes in Australia and jurisdictions where it has foreign operations. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the Balance Sheet and the application of income tax legislation. These judgements are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of tax assets and liabilities recognised on the Balance Sheet and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the Income Statement.

Deferred tax assets, including those arising from unrecouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

6. EARNINGS PER SHARE

The Group presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for shares held by the Company's sponsored employee share plan trust. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for shares held by the Company's sponsored employee share plan trust, for the effects of all dilutive potential ordinary shares which comprise restricted shares granted to employees.

The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:

(A) EARNINGS

	CONSOLIDATED					
	2015			2014[1]		
	CONTINUING OPERATIONS $m	DISCONTINUED OPERATIONS $m	TOTAL $m	CONTINUING OPERATIONS $m	DISCONTINUED OPERATIONS $m	TOTAL $m
(Loss)/profit attributable to equity holders of the parent	(1,811.5)	(106.7)	(1,918.2)	265.5	(60.1)	205.4
Add: Adjustment for employee compensation shares	3.2	0.2	3.4	(0.7)	0.2	(0.5)
Earnings/(loss) used in calculating basic and diluted earnings per share attributable to equity holders of the parent	(1,808.3)	(106.5)	(1,914.8)	264.8	(59.9)	204.9

(B) NUMBER OF ORDINARY SHARES

	2015 NUMBER OF SHARES	2014[1] NUMBER OF SHARES
Weighted average number of ordinary shares used in the calculation of basic earnings per share	2,547,215,900	1,441,339,204
Dilutive effect of executive share rights and restricted stock	–	16,673,523
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	2,547,215,900	1,458,012,727

1. The 2014 basic earnings per share and diluted earnings per share have been restated as a result of the Placement and Entitlement offers in September and October 2014. This restatement has been made by adjusting the weighted average number of shares by an adjustment factor calculated in accordance with AASB133.

7. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year:

	ON ORDINARY SHARES $m	DIVIDEND PER ORDINARY SHARE CENTS
2015		
Final dividend for 2014, paid on 16 October 2014	41.0	3.0
	41.0	3.0
2014		
Interim dividend for 2014, paid on 17 April 2014	81.7	6.0
Final dividend for 2013, paid on 17 October 2013	40.7	3.0
	122.4	9.0

DIVIDENDS NOT RECOGNISED AT YEAR END

Since year end, no final dividend was declared for the year ended 30 June 2015.

DIVIDEND FRANKING

There are no franking credits available for the subsequent financial year.

Working Capital

This section focuses on the Group's key working capital used in its day-to-day trading operations and how they impact the Group's cash flow.

8. RECEIVABLES

	CONSOLIDATED	
	2015 $m	2014 $m
Current		
Trade receivables[1]	550.4	574.2
Provision for doubtful debts	(2.4)	(3.1)
	548.0	571.1
Other receivables	69.6	56.3
	617.6	627.4

1. $5.1 million (2014: $5.1 million) of the trade receivables balance relates to Metalcard debtors in the Steel segment whereby interest is charged on the outstanding balance at an average interest rate throughout the year of 11.30% (2014: 11.51%).

Trade receivables (excluding Metalcard receivables within the Steel segment) are non-interest bearing and are generally on 30 to 60 day terms.

(A) ACCOUNTING FOR TRADE AND OTHER RECEIVABLES

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the Group will not be able to collect the debt. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired.

The amount of doubtful debts provided for is recognised in the Income Statement within operating expenses. When a trade receivable for which an allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Income Statement.

(B) PROVISION FOR DOUBTFUL DEBTS

A provision for doubtful debt is recognised when there is objective evidence that an individual trade receivable is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation or default or delinquency in payments are considered indicators that the trade receivable is impaired.

When a trade receivable for which a provision has been recognised becomes uncollectable the sum is written off against the provision. The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

The total value of impaired receivables at 30 June 2015 is $2.4 million (2014: $3.1 million). These receivables are all greater than 30 days overdue and have been fully provided for.

(C) PAST DUE BUT NOT IMPAIRED

At balance date, receivables of $45.6 million (2014: $42.2 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default.

The aging analysis of these receivables are as follows:

	CONSOLIDATED	
	2015 $m	2014 $m
1 to 30 days	31.9	29.7
31 to 60 days	6.3	3.8
61 to 90 days	3.0	7.5
Over 90 days	4.4	1.2
	45.6	42.2

(D) RISK MANAGEMENT

Information on financial risk management policies of the Group is included in Note 18.

9. INVENTORIES

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
Raw materials		
At cost	226.5	255.3
At net realisable value	5.0	13.9
	231.5	269.2
Work in progress		
At cost	225.7	409.0
At net realisable value	31.3	1.3
	257.0	410.3
Finished goods		
At cost	321.3	362.8
At net realisable value	75.0	53.5
	396.3	416.3
Stores, spares and other		
At cost	136.4	133.3
At net realisable value	3.8	5.4
	140.2	138.7
Total inventories		
At cost	909.9	1,160.4
At net realisable value	115.1	74.1
	1,025.0	1,234.5

ACCOUNTING FOR INVENTORIES

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

10. PAYABLES

Payables are comprised of trade and other payables and are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. These amounts are unsecured except as may arise solely by operation of the *Personal Property Securities Act 2009* (Cth). Trade payables are non-interest bearing and are generally settled on 30 to 60 day terms. Other payables are non-interest bearing and include liabilities in respect of trade financing within the normal operating cycle of the business.

Information on financial risk management policies of the Group is included in Note 18.

11. PROVISIONS

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
Current		
Employee benefits (Note 28)	210.3	246.1
Restoration and rehabilitation	8.0	10.9
Legal and customer claims	2.9	5.6
Restructuring	86.2	44.3
Carbon unit liability	–	26.7
	307.4	333.6
Non-current		
Employee benefits (Note 28)	33.3	36.0
Defined benefit liability (Note 23)	38.9	37.9
Restoration and rehabilitation	111.0	122.7
Legal and customer claims	1.7	1.8
Restructuring	54.0	2.7
	238.9	201.1

11. PROVISIONS CONTINUED

2015	CONSOLIDATED LEGAL AND CUSTOMER CLAIMS $m	RESTORATION AND REHABILITATION $m	RE-STRUCTURING $m	CARBON UNIT LIABILITY $m	TOTAL $m
Movements in carrying amounts					
Carrying amount at the beginning of the year	7.4	133.6	47.0	26.7	214.7
Additional amounts provided	7.3	1.6	156.7	–	165.6
Reversal of unutilised amounts	(1.7)	(17.0)	(1.3)	(3.1)	(23.1)
Utilised	(8.6)	(5.5)	(67.3)	(23.6)	(105.0)
Net foreign currency differences on translation of foreign operations	0.2	2.7	0.7	–	3.6
Unwinding of discount to present value	–	2.1	–	–	2.1
Discontinued operations	–	1.5	4.4	–	5.9
Carrying amount at the end of the year	4.6	119.0	140.2	–	263.8

(A) ACCOUNTING FOR PROVISIONS

Provisions are recognised when the Group has a present obligation (either legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. If the effect of the time value of money is material, provisions are discounted using a pre-tax discount rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost in the income statement.

Further disclosures on the nature and amount of provisions are provided below.

Provision for legal and customer claims

Provision for legal and customer claims relates to estimates of settlement of legal claims with regulators, customers and others for alleged liability and/or legal costs associated with such claims.

Provision for restructuring

Provision for restructuring is comprised of obligations relating to redundancies from organisational changes and other direct expenditure associated with business restructures.

Provision for carbon unit liability

Provision for carbon unit liability relates to obligations to pay for carbon emissions based on actual emissions and consumption data.

Provision for restoration and rehabilitation

Provision for restoration and rehabilitation comprise obligations relating to reclamation, site closure and other costs. Restoration costs which are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration. The costs include obligations relating to mine/site reclamation, waste site closure, plant closure and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs. In determining the restoration obligations, there is an assumption that no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

The estimated restoration costs for which the entity has a present obligation are discounted to their net present value. To the extent that the activity that creates this obligation relates to the construction of an asset, a corresponding amount is added to the related asset. Otherwise, the amount is recognised in the Income Statement.

Changes in the measurement of the existing provision that result from changes in the estimated timing or amount of cash flows, or a change in the discount rate, are adjusted on a prospective basis against the asset to which the restoration relates. Where the related asset has reached the end of its useful life, all subsequent changes in the provision are recognised in the Income Statement as they occur.

The charge to the Income Statement is a combination of the depreciation of the asset over the estimated mine life and finance cost representing the unwind of the discounting factor.

(B) SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS RELATED TO PROVISIONS

Restoration and rehabilitation costs are a normal consequence of the Group's operations. The provisions include future cost estimates associated with dismantling, closure and decontamination of various sites. The calculations of the provisions require assumptions such as application of environmental legislation, site closure dates, available technologies and consultant cost estimates.

The ultimate cost of restoration and rehabilitation is uncertain and costs can vary in response to many factors including changes to relevant legal requirements, the emergence of new restoration techniques or experience at other sites. These uncertainties may result in future actual expenditure differing from the amounts currently provided.

The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the site. Changes to the estimated future costs for sites are recognised in the Balance Sheet by adjusting both the expense or asset (if applicable) and provision.

12. NOTES TO THE CASH FLOW STATEMENT

(A) RECONCILIATION OF (LOSS)/PROFIT AFTER TAX TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
(Loss)/profit after tax	(1,917.4)	206.6
Adjustments to reconcile (loss)/profit after tax to net cash flows		
Depreciation and amortisation expense	345.4	367.5
Impairment expense	1,445.3	13.1
Net gains on disposal of property, plant and equipment	(48.4)	(55.2)
Share of net profit of investments accounted for using the equity method	(2.5)	(0.7)
Net fair value change on derivative financial instruments	(10.1)	1.4
Net unrealised foreign exchange gains	(4.7)	(7.4)
Share-based payment expense	(1.8)	12.7
Finance costs	6.7	8.1
Changes in assets and liabilities net of effects of purchase and sale of controlled entities and business		
Decrease in receivables	44.2	139.8
Decrease in inventories	265.0	60.0
Decrease in other assets	4.7	3.4
Decrease in payables	(148.5)	(42.3)
Increase/(decrease) in provisions	7.2	(61.7)
(Decrease)/Increase in tax balances	(97.2)	33.4
Net cash flow from operating activities	(112.1)	678.7

(B) NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year, no dividends (2014: $13.8 million) were satisfied via the issue of shares under a dividend reinvestment plan (refer Note 17).

(C) ACCOUNTING FOR CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts. Bank overdrafts are included within current interest-bearing liabilities on the Balance Sheet.

Capital Structure and Capital Investments

This section provides information on how the Group finances its overall operations and details of its spending in property, plant and equipment, mine development and intangible assets.

13. INTEREST-BEARING LIABILITIES

At balance date, the Group had the following interest-bearing liabilities:

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
Current		
Finance lease	1.4	1.3
Unsecured		
Bank loans	1.4	–
US Private Placement – at fair value	–	66.3
US Private Placement – at amortised cost	65.1	53.0
	67.9	120.6
Non-current		
Finance lease	9.3	10.5
Unsecured		
Bank loans	1,593.0	1,787.0
US Private Placement – at amortised cost	274.8	440.1
	1,877.1	2,237.6

(A) RISK MANAGEMENT

Information on financial risk management policies of the Group is included in Note 18.

(B) LOAN FACILITIES

Amounts drawn at balance date include the following combination of syndicated multi-currency debt facilities, bilateral facilities and long term notes to institutional investors (US Private Placement – 'USPP'):

	BANK LOANS		USPP		
MATURITY DATE	USD $m	CAD $m	USD $m	INTEREST RATE %	DATE ISSUED
Jul-15	–	–	50.0	7.00%	Jul-08
Jul-17	412.3	9.4	–	–	–
Oct-17	–	35.0	–	–	–
Jul-18	441.7	60.0	91.0	7.33%	Jul-08
Dec-18	12.0	–	–	–	–
Jul-19	115.3	208.0	–	–	–
Jul-20	–	–	32.0	7.43%	Jul-08
Jun-21	–	–	58.0	5.61%	Jun-11
Jun-23	–	–	21.0	5.71%	Jun-11
Total	**981.3**	**312.4**	**252.0**		

(C) ACCOUNTING FOR LOANS

Borrowings are initially recognised at fair value less any transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost. Any difference between the proceeds (net of the transaction costs) and the redemption amount is recognised in the Income Statement over the period of the borrowings using the effective interest rate method.

Borrowings are classified as current interest-bearing liabilities where there is an obligation to settle the liability within 12 months, and as non current interest-bearing liabilities where the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Where borrowings have been hedged, or are designated as part of a hedge, the accounting treatment for the hedge is set out in Note 19. At balance date, the drawn loan facilities formed part of a hedge, or were hedged using instruments as follows:

	BANK LOANS			USPP
HEDGING ITEM	AUD $m	USD $m	CAD $m	USD $m
Designated as a Hedge of Net Investment	–	675.4[1]	255.0[1]	79.0[2]
Interest Rate Swap – Fair Value Hedge	–	–	–	173.0
Interest Rate Swap – Cash Flow Hedge	–	425.0	90.0	–
Total	**–**	**1,100.4**	**345.0**	**252.0**

1. During the year net gains of $198.7m (2014: net losses of $4.5m) on the translation of the designated debt were recorded in equity.
2. During the year net losses of $47.8m (2014: $2.4m) on the translation of the designated debt were recorded in equity.

14. PROPERTY, PLANT AND EQUIPMENT

	CONSOLIDATED				
	LAND $m	BUILDINGS $m	PLANT AND EQUIPMENT $m	LEASED ASSETS $m	TOTAL $m
Year ended 30 June 2015					
Net carrying amount at the beginning of the year	133.9	311.0	2,216.7	10.6	2,672.2
Additions	3.3	28.4	172.3	–	204.0
Disposals	(7.6)	(3.5)	(2.5)	–	(13.6)
Disposal groups and assets held for sale	(1.3)	(8.7)	(22.0)	–	(32.0)
Transfers and other movements	–	11.7	(22.3)	–	(10.6)
Impairment loss	(1.3)	(36.1)	(567.8)	–	(605.2)
Depreciation	–	(20.4)	(196.2)	(1.4)	(218.0)
Net foreign currency differences on translation of foreign operations	5.0	19.2	92.8	–	117.0
Net carrying amount at the end of the year	132.0	301.6	1,671.0	9.2	2,113.8
At 30 June 2015					
Cost	134.8	516.1	3,981.4	14.1	4,646.4
Accumulated depreciation and impairment	(2.8)	(214.5)	(2,310.4)	(4.9)	(2,532.6)
Net carrying amount	132.0	301.6	1,671.0	9.2	2,113.8

	CONSOLIDATED				
	LAND $m	BUILDINGS $m	PLANT AND EQUIPMENT $m	LEASED ASSETS $m	TOTAL $m
Year ended 30 June 2014					
Net carrying amount at the beginning of the year	149.8	298.8	2,226.8	12.0	2,687.4
Additions	3.3	8.8	250.7	–	262.8
Disposals	(13.1)	(10.8)	(2.3)	–	(26.2)
Disposal groups and assets held for sale	(3.0)	(0.6)	2.8	–	(0.8)
Transfers and other movements	–	38.2	(41.5)	–	(3.3)
Impairment loss	(2.4)	(2.5)	(3.8)	–	(8.7)
Depreciation	–	(18.5)	(205.0)	(1.4)	(224.9)
Net foreign currency differences on translation of foreign operations	(0.7)	(2.4)	(11.0)	–	(14.1)
Net carrying amount at the end of the year	133.9	311.0	2,216.7	10.6	2,672.2
At 30 June 2014					
Cost	135.8	481.1	3,759.3	14.1	4,390.3
Accumulated depreciation and impairment	(1.9)	(170.1)	(1,542.6)	(3.5)	(1,718.1)
Net carrying amount	133.9	311.0	2,216.7	10.6	2,672.2

ACCOUNTING FOR PROPERTY, PLANT AND EQUIPMENT

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

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

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT

Land is not depreciated. Depreciation on other assets is calculated on a straight-line basis over the estimated useful life of the specific assets as follows:

Buildings:	20-40 years
Plant and equipment:	3-30 years
Capitalised leased assets:	Up to 30 years or life of lease, whichever is shorter.

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

DERECOGNITION

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount. These are included in the Income Statement.

ESTIMATION OF USEFUL LIVES OF ASSETS

The estimation of the useful lives of assets has been based on historical experience as well as manufacturers' warranties. In addition, the condition of the assets is assessed at least annually and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

15. MINE DEVELOPMENT EXPENDITURE

	CONSOLIDATED		
	STRIPPING ACTIVITY ASSET $m	PRE-PRODUCTION EXPENDITURE $m	TOTAL $m
Year ended 30 June 2015			
Net carrying amount at the beginning of the year	187.0	352.4	539.4
Additions	52.0	94.3	146.3
Amortisation	(61.8)	(36.7)	(98.5)
Impairment loss	(74.0)	(438.9)	(512.9)
Transfers and other movement	–	4.0	4.0
Net foreign currency differences on translation of foreign operations	3.4	24.9	28.3
Net carrying amount at the end of the year	106.6	–	106.6
At 30 June 2015			
Cost	321.8	600.8	922.6
Accumulated depreciation and impairment	(215.2)	(600.8)	(816.0)
Net carrying amount	106.6	–	106.6
Year ended 30 June 2014			
Restated net carrying amount at the beginning of the year	114.0	291.3	405.3
Additions	120.4	105.9	226.3
Amortisation	(45.9)	(48.8)	(94.7)
Transfers and other movement	–	5.3	5.3
Net foreign currency differences on translation of foreign operations	(1.5)	(1.3)	(2.8)
Net carrying amount at the end of the year	187.0	352.4	539.4
At 30 June 2014			
Cost	297.9	456.9	754.8
Accumulated depreciation and impairment	(110.9)	(104.5)	(215.4)
Net carrying amount	187.0	352.4	539.4

(A) ACCOUNTING FOR MINERAL EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

Pre-licence costs

Pre-licence costs relate to costs incurred before the Group has obtained legal rights to explore in a specific area. Such costs may include the acquisition of exploration data and the associated costs of analysing that data. These costs are expensed in the period in which they are incurred.

Exploration and evaluation expenditure

Expenditure on exploration and evaluation is accounted for in accordance with the "area of interest" method. Exploration and evaluation expenditure is capitalised provided the rights to tenure of the area of interest is current and either:

– The exploration and evaluation activities are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale, or
– Exploration and evaluation activities in the area of interest have not at the reporting date, reached a stage that permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or relating to, the area of interest are continuing.

When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, then any capitalised exploration and evaluation expenditure is reclassified as capitalised mine development. Prior to reclassification, capitalised exploration and evaluation expenditure is assessed for impairment.

Impairment

The carrying value of capitalised exploration and evaluation expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Income Statement.

(B) ACCOUNTING FOR MINE DEVELOPMENT EXPENDITURE – PRE-PRODUCTION

Pre-production mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences (development stripping). These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the related mining leases. Once production commences, these costs are amortised over their useful life using a units of production method.

Impairment

The carrying value of pre-production mine development expenditure is assessed for impairment at the cash generating unit level whenever facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount. The recoverable amount of pre-production mine development expenditure is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset. An impairment exists when the carrying amount of an asset or cash generating unit exceeds its estimated recoverable amount. The asset or cash generating unit is then written down to its recoverable amount. Any impairment losses are recognised in the Income Statement.

15. MINE DEVELOPMENT EXPENDITURE CONTINUED

(C) ACCOUNTING FOR STRIPPING (WASTE REMOVAL) COSTS

As part of mining operations, the Group incurs stripping (waste removal) costs both during the development or pre-production phase and production phase of its operations. Stripping costs incurred in the development phase of a mine, before the production phase commences (development stripping), are capitalised as part of the cost of developing the mine and subsequently amortised over its useful life using a units of production method. The capitalisation of development stripping costs ceases when the mine/component is commissioned and ready for use as intended by management.

Stripping activities undertaken during the production phase of a surface mine (production stripping) are accounted for as set out below. After the commencement of production further development of the mine may require a phase of unusually high stripping that is similar in nature to development phase stripping. The costs of such stripping is accounted for in the same way as development stripping (as outlined above).

Stripping costs incurred during the production phase are generally considered to create two benefits, being either the production of inventory or improved access to the ore to be mined in the future. Where the benefits are realised in the form of inventory produced in the period, the production stripping costs are accounted for as part of the cost of producing those inventories. Where the benefits are realised in the form of improved access to ore to be mined in the future, the costs are recognised as a non-current asset, referred to as a stripping activity asset, if the following criteria are met:

a) Future economic benefits (being improved access to the ore body) are probable
b) The component of the ore body for which access will be improved can be accurately identified
c) The costs associated with the improved access can be reliably measured

If all of the criteria are not met, the production stripping costs are charged to the Income Statement as operating costs as they are incurred.

In identifying components of the ore body, the Group works closely with mining operations personnel to analyse the mine plans. Generally, a component will be a subset of the total ore body, and a mine may have several components. The mine plans, and therefore the identification of components, can vary between mines for a number of reasons. These include, but are not limited to: the type of ore, the geological characteristics of the ore body, the geographical location, and/or financial considerations. Given the nature of the Group's operations, components are generally either major cutbacks or phases and they generally form part of a larger investment decision which requires Board approval. The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset.

If the costs of the inventory produced and the stripping activity asset are not separately identifiable, a relevant production measure is used to allocate the production stripping costs between the inventory produced and the stripping activity asset. This production measure is calculated for the identified component of the ore body and is used as a benchmark to identify the extent to which the additional activity of creating a future benefit has taken place. The Group uses the expected volume of waste extracted compared with the actual volume for a given volume of ore production of each component.

The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine Development Expenditure' in the Balance Sheet. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

The stripping activity asset is subsequently amortised using the units of production method over the life of the identified component of the ore body that became more accessible as a result of the stripping activity. Economically recoverable reserves, which comprise proven and probable reserves, are used to determine the expected useful life of the identified component of the ore body. The stripping activity asset is then carried at cost less amortisation and any impairment losses.

(D) ORE RESERVE AND RESOURCE ESTIMATES

Mineral Resources are estimates of mineralisation that has reasonable prospects for economical extraction in the future as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code). Mineral Resource estimates are based largely on geological information. There is no guarantee that all Mineral Resources will convert to Ore Reserves. Ore Reserves are derived from the Group's Mineral Resources as defined under the JORC Code. They are estimates of the amount of ore that can be economically and legally extracted from the Group's mining properties and represent the economically minable part of the Group's Measured and Indicated Mineral Resources. The Group estimates its Ore Reserves based on information compiled by its Competent Person as defined by the JORC Code. The estimation of Ore Reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body.

Arrium's annual statement of Ore Reserves and Mineral Resources is based on information compiled by or under the supervision of Paul Leevers. Mr Leevers is a Member of The Australasian Institute of Mining and Metallurgy and is a full-time employee of OneSteel Manufacturing Pty Ltd. Mr Leevers has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the JORC Code. Mr Leevers consents to the inclusion in that statement of the matters based on his information in the form and context in which it appears.

Changes in the Ore Reserve or Mineral Resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property plant and equipment, provision for rehabilitation and depreciation and amortisation charges.

16. OTHER INTANGIBLES AND GOODWILL

	CONSOLIDATED								
	GOODWILL $m	SYSTEM DEVELOPMENT COSTS $m	CUSTOMER RELATION-SHIPS $m	SUPPLIER CONTRACTS $m	KNOW-HOW $m	BRAND NAMES[1] $m	MINING TENEMENT RIGHTS $m	EXPLORATION RIGHTS $m	TOTAL $m
Year ended 30 June 2015									
Net carrying amount at the beginning of the year	1,619.2	3.3	62.5	3.0	0.3	48.9	209.5	17.4	1,964.1
Additions	–	0.1	–	–	–	–	–	–	0.1
Amortisation	–	(0.9)	(6.1)	(0.3)	(0.1)	–	(19.9)	–	(27.3)
Disposal groups and assets held for sale	(50.4)	–	–	–	–	–	–	–	(50.4)
Impairment loss	(89.6)	–	–	–	–	–	(219.8)	(20.1)	(329.5)
Net foreign currency differences on translation of foreign operations	135.9	0.3	11.8	0.2	–	8.8	30.2	2.7	189.9
Net carrying amount at the end of the year	1,615.1	2.8	68.2	2.9	0.2	57.7	–	–	1,746.9
At 30 June 2015									
Cost	1,996.3	76.4	107.8	14.3	22.0	105.2	322.5	21.4	2,665.9
Accumulated amortisation and impairment	(381.2)	(73.6)	(39.6)	(11.4)	(21.8)	(47.5)	(322.5)	(21.4)	(919.0)
Net carrying amount	1,615.1	2.8	68.2	2.9	0.2	57.7	–	–	1,746.9
Year ended 30 June 2014									
Net carrying amount at the beginning of the year	1,639.3	1.6	70.1	2.2	3.3	49.9	251.0	17.7	2,035.1
Additions	–	2.4	–	–	–	–	–	–	2.4
Amortisation	–	(0.7)	(5.6)	–	(3.1)	–	(38.5)	–	(47.9)
Transfers and other movement	–	–	(0.8)	0.8	–	–	–	–	–
Net foreign currency differences on translation of foreign operations	(20.1)	–	(1.2)	–	0.1	(1.0)	(3.0)	(0.3)	(25.5)
Net carrying amount at the end of the year	1,619.2	3.3	62.5	3.0	0.3	48.9	209.5	17.4	1,964.1
At 30 June 2014									
Cost	1,786.9	75.9	89.9	14.1	18.4	96.4	262.7	17.4	2,361.7
Accumulated amortisation and impairment	(167.7)	(72.6)	(27.4)	(11.1)	(18.1)	(47.5)	(53.2)	–	(397.6)
Net carrying amount	1,619.2	3.3	62.5	3.0	0.3	48.9	209.5	17.4	1,964.1

1. Included in Brand Names are indefinite life brand names with a carrying amount of $57.7 million as at 30 June 2015 (2014: $48.9 million). These brand names are core to the continuing operations of the Group and accordingly have been assessed as having an indefinite useful life as there is no foreseeable limit to the period over which the assets are expected to generate net cash inflows for the Group.

16. OTHER INTANGIBLES AND GOODWILL CONTINUED

(A) ACCOUNTING FOR INTANGIBLE ASSETS

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets acquired as at the date of acquisition. After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses.

Gains and losses on the disposal of an operation include the carrying amount of goodwill relating to the operation sold.

System development costs

System development costs are carried at cost less accumulated amortisation and impairment losses.

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised as system development costs. Costs capitalised include external direct costs of materials and service, direct payroll and payroll related costs of employees' time spent on the project. System development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the Group has an intention and ability to use the asset.

Other intangible assets

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and/or impairment losses.

Research and development costs

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

Impairment of intangible assets

At each reporting date, the group assesses whether there is an indication for impairment. If any indication exists, the Group estimates the asset's recoverable amount. Goodwill and intangible assets with indefinite useful lives are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or Cash Generating Units (CGUs). Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. Impairment losses recognised for goodwill are not subsequently reversed. For other intangible assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Amortisation

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life based on the amortisation methods below. The amortisation period and the method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Income Statement in the expense category consistent with the function of the intangible asset.

Goodwill and other intangible assets with indefinite lives are not amortised. The useful life of an intangible asset with an indefinite life is reviewed at each reporting period to determine whether indefinite life assessment continues to be supported. If not, the change in useful life assessment to finite is accounted for prospectively as a change in accounting estimate.

A summary of the policies applied to the Group's intangible assets is as follows:

	USEFUL LIFE	AMORTISATION METHOD	INTERNALLY GENERATED OR ACQUIRED
Patented technology	Finite	Straight line over estimated useful life (17 years)	Acquired
Brand names and know how	Indefinite Finite	No amortisation Straight line over estimated useful life (2–3 years)	Acquired
Customer and supplier contracts	Finite	Timing of projected cash flows of the contracts over 1 to 15 years	Acquired
System development and other capitalised development costs	Finite	Straight line over estimated useful life (5 years)	Internally generated
Mining tenement rights	Finite	Straight line over estimated useful life (7 years)	Acquired
Exploration rights	Indefinite	No amortisation	Acquired

(B) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS RELATED TO INTANGIBLES

The Group determines whether goodwill and intangibles with indefinite useful lives are impaired on at least an annual basis. This requires an estimation of the recoverable amount of the cash generating units to which the goodwill and intangibles with indefinite useful lives are allocated using a value in use discounted cash flow methodology. The assumptions used in this estimation of recoverable amount and the carrying amount of goodwill and intangibles with indefinite useful lives are detailed in Note 4.

17. CONTRIBUTED EQUITY

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
Contributed equity		
Issued capital (a)	3,720.6	2,985.6
Employee compensation shares (b)	(11.7)	(16.6)
Total contributed equity	3,708.9	2,969.0
(a) Issued capital		
Number of ordinary shares: 2,937,293,755 (2014: 1,366,183,142)		
Issued and paid-up	3,720.6	2,985.6
(b) Employee compensation shares		
Number of ordinary shares: 6,106,529 (2014: 4,969,280)		
Shares held in trust under equity-based compensation arrangements	(11.7)	(16.6)

	NUMBER OF ORDINARY SHARES		VALUE OF ORDINARY SHARES	
	2015	2014	2015 $m	2014 $m
Movement in issued capital for the period				
On issue at the beginning of the year	1,366,183,142	1,355,433,903	2,985.6	3,803.6
Shares issued under Institutional Placement and Entitlement Offer[1]	1,571,110,613	–	754.1	–
Transaction costs arising on share issue, net of tax	–	–	(19.1)	–
Shares issued under a dividend reinvestment plan[2]	–	10,749,239	–	13.8
Share capital reduction[3]	–	–	–	(831.8)
On issue at the end of the year	2,937,293,755	1,366,183,142	3,720.6	2,985.6
Movements in employee compensation shares for the period				
Held in trust at the beginning and end of the year	(4,969,280)	(6,283,917)	(16.6)	(25.6)
Purchase of shares for equity based compensation	(3,490,283)	(1,840,000)	(2.6)	(2.1)
Share vested and transferred to share-based payment reserve (Note 24)	2,353,034	3,154,637	7.5	11.1
Held in trust at the end of the period	(6,106,529)	(4,969,280)	(11.7)	(16.6)

1. On 26 September 2014, 762,542,673 ordinary shares were issued under the Institutional Entitlement Offer and 204,927,471 ordinary shares were issued under the Institutional Placement, at an issue price of $0.48 per share. On 17 October 2014, 603,640,469 ordinary shares were issued under the Retail Entitlement Offer at an issue price of $0.48 per share. Under the Entitlement offer, eligible shareholders were invited to participate on a pro-rate basis to their existing shareholdings by subscribing to 1 new Arrium shares for every 1 Arrium shares owned, at a price of $0.48 per share.
2. The dividend reinvestment plan provides shareholders with an opportunity to acquire additional ordinary shares of Arrium Limited in lieu of cash dividends. There were no shares issued under the dividend reinvestment plan during the year.
3. On 19 August 2013, the Company reduced its share capital by $831.8m for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Company during the year ended 30 June 2013. The reduction was made in accordance with section 258F of the *Corporations Act 2001* (Cth) and had the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. There was no impact on the number of issued shares or on the Statement of Comprehensive Income or Statement of Cash Flows.

ACCOUNTING FOR ISSUED CAPITAL

Issued and paid-up capital is recognised at the fair value of the consideration received by the Company. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received, net of tax.

Ordinary share capital bears no special terms or conditions affecting income or capital entitlements of the Arrium shareholders.

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

ACCOUNTING FOR EMPLOYEE COMPENSATION SHARES

Shares in Arrium purchased for equity-based compensation arrangements are held in Trust and deducted from contributed equity employee compensation shares. Upon vesting, the shares are transferred from employee compensation shares into the share-based payment reserve.

Shares issued under the former Share Plan carry voting rights and the beneficial holder is entitled to any dividends paid during the vesting period. There are no voting entitlements attached to the rights held in trust, nor are any dividends paid until such time as the rights vest and the shares are allotted.

Risk Management

This section discusses the Group's exposures to various financial risks, explain how these affect the Group's financial position and performance and what the Group does to management these risks.

18. FINANCIAL RISK MANAGEMENT

(A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks as set out in the table below. The Group manages its exposure to these key financial risks in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

RISK	EXPOSURE ARISING FROM	MEASUREMENT	MANAGEMENT
Interest rate risk	Borrowings and other liabilities at variable interest rates	Market forecasts, sensitivity analysis and cash flow forecasting	Hedged with Interest rate swaps
Foreign currency risk	Foreign currency payables and receivables, future foreign currency transactions and net investments in foreign currency denominated operations	Market forecasts, sensitivity analysis and cash flow forecasting	Hedged with forward foreign exchange contracts, options or internal (net investment) hedges
Commodity price risk	Inputs to inventory and export sales	Sensitivity analysis applied to annual usage estimates and export forecasts	Fixed price contracts and swaps or hedged with options
Credit risk	Cash and cash equivalents, trade receivables and derivative financial instruments	Ageing analysis and fair value exposure measurement	Monitoring of specific credit allowances
Liquidity risk	Inability to fund cash flow commitments and unforseen events which may curtail cash flow	Rolling cash flow forecasts	Cash balances, committed and un-committed facilities and overdraft facilities centrally managed

Primary responsibility for identification and control of financial risks rests with the Financial Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of the risks identified above. The Group Treasurer (along with the Treasury group) is responsible for the daily management of these risks in accordance with the risk management policy.

It is the Group's policy that no speculative trading in financial instruments shall be undertaken.

(B) INTEREST RATE RISK

The Group's policy is to manage its interest expense using a mix of fixed and floating interest rate debt. Specifically, to keep 20%–70% or the lesser of the expected usage of borrowings or the committed exposure to a minimum of five years at fixed rates of interest, using interest rate swaps to achieve this when necessary. The objective of the Group's policy is to neutralise exposures within levels of tolerance acceptable to the Board, minimising interest expense whilst ensuring that an appropriate level of flexibility exists to accommodate potential changes in funding requirements.

The Group analyses its interest rate exposure on a dynamic basis, giving consideration to potential renewals of existing positions, alternative hedging positions and the mix of fixed and variable interest rates. Based on the various considerations, the Group manages its interest rate risk by using interest rate swaps. Under interest rate swaps, the Group agrees with other parties to exchange at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

At balance date, the Group had the following financial assets and liabilities exposed to interest rate risk:

	CONSOLIDATED	
	2015 $m	2014 $m
Financial assets		
Cash and cash equivalents	194.8	650.5
Trade receivables	5.1	5.1
Financial liabilities		
Bank loans	(1,945.0)	(1,787.0)
Net exposure before hedging	(1,745.1)	(1,131.4)
Cross-currency and interest rate swaps[1]	422.7	250.1
Net exposure to cash flow and fair value interest rate risk	(1,332.4)	(881.3)

1. Notional principal amounts of cross-currency and interest rate swaps.

Sensitivity

The sensitivity of profit or loss to changes in interest rates arises mainly as a result of higher/lower interest expense resulting on variable rate debt. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings. The following sensitivity includes a full year interest expense at current debt levels. This is excluding sensitivity of a 100 basis points decrease which would result in negative interest rates on USD and CAD borrowings.

	IMPACT ON POST-TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2015 $m	2014 $m	2015 $m	2014 $m
Interest rates – increase by 100 basis points	(10.8)	(14.7)	9.2	5.0

18. FINANCIAL RISK MANAGEMENT CONTINUED

(C) FOREIGN CURRENCY RISK

It is the Group's policy to use forward exchange contracts to eliminate the currency exposures on any individual transactions in excess of USD0.5 million or equivalent. Committed exposures will be 100% covered when the transaction is contracted, whilst projected exposures (contract underpinning) will be 50% covered where there are ongoing sales or purchases and the transaction is relatively certain. It is the Group's policy to negotiate the terms of the forward exchange contracts to match the terms of the underlying purchase to maximise hedge effectiveness.

Net investment hedges

The Group seeks to mitigate its exposure to foreign currency translation risk on the value of the net assets of its USD denominated operations by borrowing in USD. The first USD754.4million (2014: USD1,275.6 million) of the Group's net investment in USD denominated operations are in this manner. There are no forward contracts which are designated as net investment hedges (2014: USD20.0 million).

In addition to its USD denominated operations, the Group has foreign currency translation risk arising on the value of the net assets of its Canadian based operations. This risk is mitigated through the designation of CAD255.0 million (2014: CAD186.6 million) denominated debt and there are no forward exchange contracts which are designated as net investment hedges (2014: CAD 43.4 million).

The Group's exposure to foreign currency risk at balance date was as follows (in Australian dollars):

	CONSOLIDATED					
	2015			2014		
	USD $m	CAD $m	OTHER[1] $m	USD $m	CAD $m	OTHER[1] $m
Cash and cash equivalents	1.6	–	5.6	16.0	–	5.3
Net investment in foreign operations	1,101.2	327.8	61.8	1,419.2	286.3	61.9
Trade and other receivables	11.7	–	20.2	39.5	–	1.8
Trade and other payables	(35.6)	–	(6.6)	(15.3)	–	(6.5)
Bank loans and US Private Placement debt[2]	(1,305.1)	(267.7)	–	(1,419.4)	(185.5)	–
Net exposure	(226.2)	60.1	81.0	40.0	100.8	62.5
Forward exchange contracts – buy	647.8	0.4	30.0	152.5	1.9	60.3
Forward exchange contracts – sell	(325.2)	(21.1)	(7.0)	(242.5)	(63.1)	(12.4)
Cross–currency interest rate swaps	–	–	–	84.9	–	–

1. Japanese Yen, Pounds Sterling, Chilean Peso, New Zealand dollar and Euro.
2. Notional principal amounts.

Sensitivity

The sensitivity of profit or loss to changes in the exchange rates arise on translation of the above foreign currency denominated financial instruments, whilst the impact on other components of equity arises from the translation of net investment in denominated foreign currency, forward exchange and option contracts, interest rate and cross-currency interest rate swaps designated as cash flow hedges. The Group's exposure to other foreign exchange movements is not material.

	IMPACT ON POST-TAX PROFIT		IMPACT ON OTHER COMPONENTS OF EQUITY	
	2015 $m	2014 $m	2015 $m	2014 $m
AUD/Major Foreign Currencies exchange rate – increase 10%	(11.8)	6.0	(6.7)	8.2
AUD/Major Foreign Currencies exchange rate – decrease 10%	10.1	(8.7)	13.0	(1.3)

(D) COMMODITY PRICE RISK

Commodity price risk is managed by either putting in place fixed price contracts, fixed price swaps or options. The Group's exposure to commodity price risk on financial instruments is not significant.

(E) CREDIT RISK

The Group's exposure to credit risk arises from the risk of default of the counterparty. The Group does not hold any credit derivatives to offset its credit exposure. The credit risk of any one counterparty with respect to receivables and derivative financial instruments is not significant. For some trade receivables the Group may also obtain security in the form of guarantees, deeds of undertaking or letter of credit which can be called upon if the counterparty is in default under the terms of the agreements.

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the Board and are regularly monitored. In addition, receivables are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For financial instruments, limits for each counterparty are set primarily on credit rating, adjusted for country rating and the nominal level of shareholders' funds. The Group does not expect any counterparties to fail to meet their obligations given their high credit ratings. For financial assets and liabilities measured at fair value through profit and loss, the amount of change in fair value that is attributable to credit risk is not material.

18. FINANCIAL RISK MANAGEMENT CONTINUED

(F) LIQUIDITY RISK

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of revolving bank loans, US Private Placement of Senior Notes and finance leases. Arrium also utilises 11am money market lines and overdraft facilities to assist with the intra-month cash management. Facility maturities are spread out to reduce liquidity risk. Arrium regularly monitors liquidity and covenant headroom levels. To ensure a robust balance sheet and liquidity position in a changing external environment, Arrium will at times review options for achieving an appropriate structure and level of debt.

Financing arrangements

The Group had access to the following undrawn borrowing facilities at balance date:

	CONSOLIDATED	
	2015 $m	2014 $m
Expiring within one year	2.0	5.0
Expiring beyond one year	823.2	1,304.6
	825.2	1,309.6

Maturity analysis of financial liabilities

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed in the table reflect all contractually fixed pay-offs for settlement, repayments and interest resulting from recognised financial liabilities, and the undiscounted cash flows for all other obligations. For interest rate swaps, the cash flows have been estimated using forward interest rates applicable at the balance date.

CONSOLIDATED	LESS THAN 12 MONTHS $m	1 – 5 YEARS $m	GREATER THAN 5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m
2015				
Financial liabilities				
Trade and other payables	1,008.7	0.3	–	1,009.0
Forward contracts				
– (Inflow)	(158.0)	–	–	(158.0)
– Outflow	150.4	–	–	150.4
Option contracts	1.0	–	–	1.0
Interest rate swaps	7.0	8.0	–	15.0
Bank loans	14.5	1,637.8	–	1,652.3
US Private Placement – Senior Notes	85.0	300.2	30.5	415.7
	1,108.6	1,946.3	30.5	3,085.4
2014				
Financial liabilities				
Trade and other payables	1,175.0	0.3	–	1,175.3
Forward contracts				
– (Inflow)	(284.0)	(4.4)	–	(288.4)
– Outflow	284.5	4.0	–	288.5
Option contracts	0.1	–	–	0.1
Interest rate swaps	11.3	8.4	–	19.7
Cross–currency interest rate swaps	136.0	–	–	136.0
Bank loans	14.1	1,578.0	226.6	1,818.7
US Private Placement – Senior Notes	149.5	310.8	229.4	689.7
	1,486.5	1,897.1	456.0	3,839.6

18. FINANCIAL RISK MANAGEMENT CONTINUED

(G) FAIR VALUE MEASUREMENTS

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

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The following table shows the carrying amounts and fair value of the financial instruments as well as the methods used to estimate the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	CONSOLIDATED			
	2015		2014	
	CARRYING AMOUNT $m	FAIR VALUE LEVEL 2 $m	CARRYING AMOUNT $m	FAIR VALUE LEVEL 2 $m
Current financial assets				
Cash and cash equivalents	194.8		650.5	
Receivables	617.6		627.4	
Derivative financial instruments				
Forward contracts – cash flow hedges	3.5	3.5	2.0	2.0
Forward contracts – held for trading	8.5	8.5	3.8	3.8
Forward contracts – net investment hedges	–	–	0.2	0.2
Option contracts – cash flow hedges	2.7	2.7	1.9	1.9
Interest rate swap contracts – fair value hedges	–	–	0.1	0.1
	827.1	14.7	1,285.9	8.0
Non-current financial assets				
Receivables	0.3		26.5	
Derivative financial instruments				
Interest rate swap contracts – fair value hedges	12.2	12.2	16.6	16.6
Forward contracts – held for trading	1.4	1.4	2.9	2.9
Other financial assets			1.0	
	13.9	13.6	47.0	19.5
Current financial liabilities				
Payables	1,008.7		1,175.0	
Derivative financial instruments				
Forward contracts – cash flow hedges	2.7	2.7	0.5	0.5
Forward contracts – held for trading	8.9	8.9	5.8	5.8
Forward contracts – net investment hedges	–	–	0.7	0.7
Option contracts – cash flow hedges	1.0	1.0	0.1	0.1
Interest rate swap contracts – cash flow hedges	0.9	0.9	1.3	1.3
Cross-currency interest rate swap contracts – fair value hedges	–	–	31.8	31.8
Cross-currency interest rate swap contracts – cash low hedges	–	–	11.0	11.0
Interest-bearing liabilities				
Finance lease	1.4		1.3	
Unsecured				
Bank Loans	1.4		–	
US Private Placement – at fair value	–	–	66.3	66.4
US Private Placement – at amortised cost	65.1	67.4	53.0	54.6
	1,090.1	80.9	1,346.8	172.2
Non-current financial liabilities				
Payables	0.3		0.3	
Derivative financial instruments				
Forward contracts – held for trading	2.1	2.1	–	–
Interest rate swap contracts – cash flow hedges	2.3	2.3	3.6	3.6
Interest-bearing liabilities				
Finance lease	9.3		10.5	
Unsecured				
Bank loans	1,593.0		1,787.0	
US Private Placement – at amortised cost	274.8	300.2	440.1	479.2
	1,881.8	304.6	2,241.5	482.8

18. FINANCIAL RISK MANAGEMENT CONTINUED

(G) FAIR VALUE MEASUREMENTS CONTINUED

For financial instruments not quoted in active markets, the Group uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, cross-currency interest rate swaps and forward exchange contracts not traded on a recognised exchange. These instruments are included in Level 2.

Transfer between categories

There were no transfers between categories during the year.

(H) CAPITAL RISK MANAGEMENT

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern;
- maintain optimal returns to shareholders and benefits to other stakeholders; and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of gearing ratio (net debt to net debt plus equity). The targeted range for debt considered appropriate in the normal circumstances is 30%-40%. The Board is comfortable with the current level of gearing given the external environment.

The Group is subject to externally imposed capital requirements and has complied with these requirements during the current and prior year.

The gearing ratios at the balance date were as follows:

	CONSOLIDATED	
	2015 $m	2014 $m
Total debt	1,945.0	2,358.2
Less: Cash and cash equivalents	(194.8)	(650.5)
Net debt	1,750.2	1,707.7
Total equity	2,554.9	3,730.9
Less: Non-controlling interests	(5.7)	(4.0)
Equity	2,549.2	3,726.9
Net debt plus equity	4,299.4	5,434.6
Gearing ratio	40.7%	31.4%

Sensitivity

The sensitivity of the gearing ratio to changes in the exchange rates arise primarily as a result of foreign exchange losses/gains on translation of USD denominated debt. The exposure arising from other foreign exchange movements in debt is not material.

	IMPACT ON GEARING RATIO	
	2015	2014
AUD/USD exchange rate – strengthened by 5 cents	-1%	-2%
AUD/USD exchange rate – weakened by 5 cents	1%	2%

19. DERIVATIVE FINANCIAL INSTRUMENTS

(A) ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently re-measured at fair value.

Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement and for disclosure purposes.

The fair value of derivative financial instruments that are not traded in active markets is determined using valuation techniques. The Arrium Group uses a variety of methods and assumptions that are based on market conditions existing at balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. The fair value of interest rate swaps is calculated as the present value of the estimated cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair values of the remaining financial instruments.

The fair values of the Group's derivatives at balance date were as follows:

	CONSOLIDATED	
	2015 $m	2014 $m
Current assets		
Forward contracts – cash flow hedges	3.5	2.0
Forward contracts – held for trading	8.5	3.8
Forward contracts – net investment hedges	–	0.2
Option contracts – cash flow hedges	2.7	1.9
Interest rate swap contracts – fair value hedges	–	0.1
	14.7	8.0
Non-current assets		
Forward contracts – held for trading	1.4	2.9
Interest rate swap contracts – fair value hedges	12.2	16.6
	13.6	19.5
Current liabilities		
Forward contracts – cash flow hedges	2.7	0.5
Forward contracts – held for trading	8.9	5.8
Forward contracts – net investment hedges	–	0.7
Option contracts – cash flow hedges	1.0	0.1
Interest rate swap contracts – cash flow hedges	0.9	1.3
Cross-currency interest rate swap contracts – fair value hedges	–	31.8
Cross-currency interest rate swap contracts – cash flow hedges	–	11.0
	13.5	51.2
Non-current liabilities		
Forward contracts – held for trading	2.1	–
Interest rate swap contracts – cash flow hedges	2.3	3.6
	4.4	3.6

The method of recognising the resulting gain or loss depends on whether the derivative qualifies for hedge accounting, and if so, the nature of the item being hedged.

Derivatives classified as held for trading are based on limits set by the Board and are accounted for at fair value through the income statement. Although they provide an economic hedge, they do not qualify for hedge accounting. They are presented as current assets/liabilities if they are expected to be settled within 12 months after the end of the reporting period.

For all other derivatives, the Group designates them as either:

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

At the inception of a hedge relationship, the Group formally designates and documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at inception and on an on-going basis, of whether the hedges have been, and will continue to be, highly effective in offsetting changes in the fair values or the cash flows of hedged items throughout the financial reporting periods for which they were designated.

The method of recognising gains and losses on the changes in fair value of derivatives that qualify for hedge accounting can be summarised as follows:

	CHANGE IN FAIR VALUE OF THE DERIVATIVE RECOGNISED IN:	
DESIGNATION OF DERIVATIVE	EFFECTIVE PORTION	INEFFECTIVE PORTION
Fair value hedge	Income statement	Income statement
Cash flow hedge	Equity	Income statement
Net investment hedge	Equity	Income statement

Further accounting treatment of items qualifying for hedge accounting is set out below, based on the designation attributed to the hedge.

19. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(A) ACCOUNTING FOR DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES CONTINUED

Fair value hedges

The Group discontinues fair value hedge accounting if the hedging instrument expires, or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting, or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to the Income Statement.

Cash flow hedges

Amounts accumulated in equity are transferred to the Income Statement in the periods when the hedged item affects profit or loss. When the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

When a hedging instrument expires or is sold, terminated or exercised without replacement or rollover, any amounts recognised in equity remain in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, amounts recognised in equity are immediately transferred to the Income Statement.

Net investment hedges

On disposal or liquidation of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to the Income Statement.

(B) INSTRUMENTS USED BY THE GROUP

The Group is party to derivative financial instruments in the normal course of business in order to manage exposure to fluctuations in interest rates, commodity prices and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 18).

Interest rate swap contracts – cash flow hedges

It is the Group's policy to hedge part of its variable interest rate loans from exposure to fluctuations in interest rates. Accordingly, the Group has entered into interest rate swap contracts under which it is obliged to receive interest at variable rates and to pay interest at fixed rates. The details of these swap contracts are set out below:

BANK LOANS	AVERAGE VARIABLE INTEREST RATES ON BANK LOANS (%)	% OF VARIABLE LOAN PRINCIPAL OUTSTANDING COVERED BY SWAPS	TIME TO EXPIRY OF SWAPS (YEARS)	SWAP FIXED INTEREST RATES RANGE (%)	SWAP VARIABLE INTEREST RATES RANGE (%)	COMPARISON RATE	COMPARISON TO SWAP VARIABLE INTEREST RATES (%)
2015							
AUD	N/A	N/A	N/A	N/A	N/A	3-month BBSW	2.15
USD	2.33	43	0.98-2.31	0.57–1.44	0.16–0.28	3-month LIBOR	0.28
CAD	3.40	29	0.23–3.79	1.3–2.59	0.23–1.30	3-month CDOR	0.99
2014							
AUD	4.65	41	1.05–1.31	3.10–3.92	2.57–2.71	3-month BBSW	2.71
USD	2.13	27	0.05–3.31	0.93–1.74	0.23–0.27	3-month LIBOR	0.23
CAD	2.91	36	1.23–1.28	1.30–2.59	1.24–1.28	3-month CDOR	1.27

The contracts require settlement of net interest receivable or payable at 90-day intervals. The contracts are settled on a net basis where master netting agreements are in place. The majority of the settlement dates coincide with the dates on which interest is payable on the underlying debt.

There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

Interest rate swap contracts – fair value hedges

At 30 June 2015, the Group had a series of interest rate swaps in place with a notional amount of USD173 million (2014: USD230 million) whereby it receives an average fixed interest rate of 3.51% semi-annually (2014: 3.48%) in USD and pays a floating rate of interest equal to USD LIBOR amount quarterly. The swaps are being used to protect the value of USD173 million US Private Placement debt against changes in fair value due to changes in the benchmark interest rate. The details of these swap contracts are set out below:

BANK LOANS	% OF LOAN PRINCIPAL OUTSTANDING COVERED BY SWAPS	SWAP FIXED INTEREST RATES RANGE (%)	SWAP VARIABLE INTEREST RATES RANGE (%)	COMPARISON RATE	COMPARISON TO SWAP VARIABLE INTEREST RATES (%)	FREQUENCY OF INTEREST PAYMENTS ON DEBT
2015						
USPP US$173M	100	3.21–3.89	0.23–0.27	3-month LIBOR	0.28	Semi-annually
2014						
USPP US$173M	100	3.00–3.89	0.22–0.27	3-month LIBOR	0.23	Semi-annually

19. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(B) INSTRUMENTS USED BY THE GROUP CONTINUED

Cross-currency interest rate swaps – cash flow hedges

At balance date, the Group had no cross-currency interest rate swap in place (2014: USD20 million). During the year, the group closed out cross-currency interest rate swap with a notional amount of USD20 million. The swap was being used to hedge the exposure to fluctuations in cash flow due to movements in the AUD/USD spot exchange rate on USD denominated senior notes and was timed to expire as each loan repayment fell due. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year. The details of this swap contract are set out below:

	% OF LOAN PRINCIPAL OUTSTANDING COVERED BY SWAPS		SWAP FIXED INTEREST RATES RANGE (%)		SWAP VARIABLE INTEREST RATES RANGE (%)		FREQUENCY OF INTEREST PAYMENTS ON DEBT
BANK LOANS	2015	2014	2015	2014	2015	2014	
US$0M	N/A	100	N/A	7.27	N/A	5.98	Semi-annually

Cross-currency interest rate swap contracts – fair value hedges

At balance date, the Group had no cross-currency interest rate swaps in place (2014: USD60 million). During the year, the group closed out the cross-currency interest rate swaps with a notional amount of USD 60m. The swaps were being used to hedge the exposure to changes in the fair value of US Private Placement debt, which was raised in April 2003 (a twelve year tranche of USD60 million expiring in April 2015). The details of these swap contracts are set out below:

	% OF LOAN PRINCIPAL OUTSTANDING COVERED BY SWAPS		SWAP FIXED INTEREST RATES RANGE (%)		SWAP VARIABLE INTEREST RATES RANGE (%)		COMPARISON RATE	COMPARISON TO SWAP VARIABLE INTEREST RATES (%)		FREQUENCY OF INTEREST PAYMENTS ON DEBT
BANK LOANS	2015	2014	2015	2014	2015	2014		2015	2014	
USPP US$0M	N/A	100	N/A	5.54	N/A	3.96–4.12	3-month BBSW	2.15	2.71	Semi-annually

Forward contracts – cash flow hedges

The Group has a series of forward contracts to hedge highly probable forecast or committed purchases and sales. The contracts are timed to mature when payments for the purchases or receipts from the sales are scheduled to be made.

At balance date, the details of outstanding contracts are:

	CONSOLIDATED					
	2015			2014		
	AVERAGE EXCHANGE RATE	BUY $m	SELL $m	AVERAGE EXCHANGE RATE	BUY $m	SELL $m
Currency						
United States Dollar						
Up to 3 months	0.86	2.6	–	0.89	–	2.1
3 months to 12 months	0.85	1.8	–	0.87	–	8.7
12 months to 2 years	–	–	–	0.86	–	4.4
		4.4	–		–	15.2
Canadian Dollar						
Up to 3 months	0.81	–	0.4	0.99	0.3	–
3 months to 12 months	–	–	–	0.99	0.6	–
		–	0.4		0.9	–

There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

Option contracts – cash flow hedges

At balance date the Group had a series of foreign currency collars being a combination of written put options and purchased call options with a notional amount of USD69.8 million (2014: USD60 million). The options are being used to hedge the foreign currency translation risk associated with highly probable sales of iron ore and scrap denominated in USD against fluctuations in the AUD / USD exchange rate.

The Group also purchased a series of commodity put options for an amount of 0.7 million tonnes (2014: Nil). The options are being used to hedge the price risk associated with highly probable sales of iron ore against fluctuations in iron ore spot prices.

Changes in the intrinsic value of the options are deferred in equity in the cash flow hedge reserve. Changes in the fair value of the option other than intrinsic value are recognised in the Income Statement as they occur.

Forward contracts – net investment hedges

There were no forward exchange contracts which have been designated as a hedge of the net investment in USD and CAD denominated operations of the Group as at balance date (2014: USD20 million and CAD43 million).

Forward contracts – held for trading

The Group enters into forward exchange which are economic hedges but do not satisfy the requirements for hedge accounting. These contracts are accounted for as held for trading financial instruments and are subject to the same risk management policies as all other derivative contracts (refer to Note 18).

19. DERIVATIVE FINANCIAL INSTRUMENTS CONTINUED

(C) MASTER NETTING OR SIMILAR ARRANGEMENT

The Group enters into derivative transactions under International Swaps and Derivatives Association (ISDA) master netting arrangements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The following table sets out the carrying amounts of recognised financial instruments that are subject to above agreement:

	CONSOLIDATED					
	2015			2014		
	GROSS AND NET AMOUNTS OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION $m	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENT $m	NET AMOUNT $m	GROSS AND NET AMOUNTS OF FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION $m	AMOUNTS SUBJECT TO MASTER NETTING ARRANGEMENT $m	NET AMOUNT $m
Financial Asset	28.3	(16.6)	11.7	27.5	(24.8)	2.7
Financial Liability	(17.9)	16.6	(1.3)	(54.8)	24.8	(30.0)
	10.4	–	10.4	(27.3)	–	(27.3)

Group Structure

This section provides information which helps users understand how the group structure affects the financial position and performance of the Group as a whole. In particular, it includes details on Arrium Limited, the parent entity of the Group, information of its controlled entities, discontinued operations and changes to the structure that occurred during the year as a result of disposal of a discontinued operation.

20. PARENT ENTITY DISCLOSURES

The parent company of the Group, as at and throughout the financial year ended 30 June 2015, was Arrium Limited.

Presented below is supplementary information about the parent entity.

	PARENT	
	2015 $m	2014 $m
Result of the parent entity		
(Loss)/profit after tax	(474.5)	571.0
Other comprehensive income	–	–
Total comprehensive (loss)/income for the year	(474.5)	571.0

	PARENT	
	2015 $m	2014 $m
Financial position of the parent entity at year end		
Current assets	1.1	7.8
Non-current assets	3,982.6	3,936.2
Total assets	3,983.7	3,944.0
Current liabilities	–	175.4
Total liabilities	–	175.4
Total equity of the parent entity comprising:		
Share capital	3,708.9	2,969.0
Retained earnings	258.3	773.7
Reserves	16.5	25.9
Total Equity	3,983.7	3,768.6

Guarantees, contingent liabilities and capital commitments of the parent entity
Arrium Limited has given guarantees amounting to $42.7 million (2014: $45.2 million) to various state workers' compensation authorities in Australia as a prerequisite for self-insurance. Refer to Note 26.

Parent entity guarantees in respect of debts of its subsidiaries
As explained in Note 22, the Company has entered into a Deed of Cross Guarantee in accordance with a class order issued by the Australian Securities and Investments Commission. Arrium Limited, and all the controlled entities which are party to the deed, have guaranteed the repayment of all current and future creditors in the event that any of these companies are wound up.

The Company is also a guarantor in respect of certain financing arrangements including wholly-owned subsidiaries which are not party to the Deed of Cross Guarantee.

The parent entity does not have any capital commitments for acquisition of property, plant and equipment as at 30 June 2015 (2014: nil).

21. DISCONTINUED OPERATIONS

(A) ACCOUNTING FOR NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the Balance Sheet.

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

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

(B) DETAILS OF DISCONTINUED OPERATIONS

Australian Tube Mills (ATM)

The ATM business has met the classification as held for sale. The ATM business manufactures structural pipe and tube from facilities at Acacia Ridge, QLD Newcastle, NSW and Somerton, VIC. During the period, the company has progressed the sale process for the ATM business and expects the disposal to be effected within the next 12 months. Accordingly, at 30 June 2015 the ATM business continues to be classified as a discontinued operation.

Merchandising

At 30 June 2013, the non-integrated Merchandising business met the criteria for classification as held for sale. The remaining business within the Merchandising portfolio as at 30 June 2014 was the Metpol business. During the year to 30 June 2015, the Metpol business was exited and its assets sold. Accordingly, at 30 June 2015, the Merchandising business continues to be presented as a discontinued operation.

US Recycling

The US Recycling operations were classified as held for sale at 30 June 2013. During the year to 30 June 2014, Maine and Florida businesses were sold. During the year to 30 June 2015, the company completed the sale of the Virginia business. Accordingly, at 30 June 2015, the US Recycling business continues to be presented as a discontinued operation.

Wire Ropes

On 6 February 2015, Arrium entered into a sale agreement to dispose its Wire Ropes business. The Wire Ropes business is based in Newcastle, NSW and is a manufacturer of high performance ropes in Australia. The sale was completed on 2 March 2015. Accordingly, at 30 June 2015, the Wire Ropes business is classified as discontinued operation.

(C) RESULTS OF THE DISCONTINUED OPERATIONS

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

	2015 $m	2014 $m
Revenue	189.3	504.6
Expenses	(256.7)	(535.9)
Gross loss	(67.4)	(31.3)
Other revenues/income	3.3	13.7
Operating expenses	(37.9)	(72.1)
Impairment of goodwill	(37.1)	–
Reversal of impairment/(impairment) of property, plant and equipment	3.9	(4.4)
Loss before tax from discontinued operations	(135.2)	(94.1)
Tax benefit	28.5	34.0
Loss for the year from discontinued operations[1]	(106.7)	(60.1)
Loss per share for profit from discontinued operations attributable to the ordinary equity holders of the parent:		
Basic loss per share (cents per share)	(4.18)	(4.15)
Diluted loss per share (cents per share)	(4.18)	(4.15)

1. Loss for the year from discontinued operations relates to the parent.

21. DISCONTINUED OPERATIONS CONTINUED

(D) ASSETS AND LIABILITIES HELD FOR SALE

The major classes of assets and liabilities held for sale are as follows:

	2015 $m	2014 $m
Assets		
Receivables	13.0	16.2
Inventory	43.9	61.2
Property, plant and equipment	8.8	27.4
Deferred tax assets	21.7	19.7
Other assets	–	0.4
Assets held for sale	87.4	124.9
Liabilities		
Payables	58.9	59.4
Provisions	31.1	27.6
Deferred tax liabilities	0.9	0.2
Liabilities held for sale	90.9	87.2
Net (liabilities)/assets	(3.5)	37.7

(E) CASH FLOW INFORMATION OF THE DISCONTINUED OPERATIONS

The net cash flows of discontinued operations are as follows:

	2015 $m	2014 $m
Operating activities	16.1	(7.2)
Investing activities	107.0	105.0
Financing activities	–	–
Net cash inflow	123.1	97.8

(F) DETAILS OF THE SALE OF THE DISCONTINUED OPERATIONS

	2015 $m	2014 $m
Cash consideration received	96.0	97.1
Cash proceeds from sale of assets	20.7	25.9
Carrying amount of net assets sold	(114.7)	(114.1)
Gain on sale before income tax	2.0	8.9
Income tax expense	–	–
Gain on sale after income tax	2.0	8.9
The carrying amounts of assets and liabilities of the discontinued operations as at the date of the sale were:		
Receivables and other assets	8.2	13.0
Inventory	11.9	58.8
Property, plant and equipment	49.8	49.6
Intangibles	50.4	–
Deferred tax assets	0.8	0.4
Payables	(2.2)	(1.9)
Provisions	(2.8)	(3.3)
Deferred tax liabilities	(1.4)	(2.5)
Net assets	114.7	114.1

22. INTERESTS IN SUBSIDIARIES AND JOINT VENTURES

(A) JOINT VENTURES

Arrium Limited has 50% ownership and voting power in Genalta Recycling Inc (2014: 50%), a company incorporated in Canada involved in recycling and sale of Scrap Metals and has balance date of 31 December. The joint venture is not material to Arrium Limited. On 18 May 2015, the Group disposed its 50% interest and voting power in BOSFA Pty Ltd (2014: 50%), a company incorporated in Australia involved in the distribution of steel wire products.

(B) SUBSIDIARIES

Details of the Group's significant subsidiaries are set out as follows:

ENTITY	NOTES	COUNTRY OF INCORPORATION	% OF SHARES HELD 2015	% OF SHARES HELD 2014
Arrium Limited	(a)	Australia		
AltaSteel Ltd.		Canada	100.0	100.0
Arrium Finance Pty Limited	(b)	Australia	100.0	100.0
Arrium Iron Ore Holdings Pty Limited	(b)	Australia	100.0	100.0
Arrium Mining Services Asia Limited		Hong Kong	100.0	100.0
Austube Mills Holdings Pty Limited (formerly Australian Tube Mills Pty Limited)	(d)	Australia	100.0	100.0
Austube Mills Pty Ltd (formerly OneSteel Australian Tube Mills Pty Limited)	(d)	Australia	100.0	100.0
Central Iron Pty Ltd		Australia	100.0	100.0
Commonwealth Steel Company Pty Limited	(d)	Australia	100.0	100.0
Coober Pedy Resources Pty Ltd		Australia	100.0	100.0
Litesteel Technologies America, LLC		USA	100.0	100.0
Litesteel Technologies Pty Ltd	(b)	Australia	100.0	100.0
Maple Leaf Metals (A Partnership)		Canada	100.0	100.0
Metpol Pty Ltd		Australia	100.0	100.0
Moly-Cop Adesur S.A.	(c)	Peru	94.1	94.1
Moly-Cop Canada (A Partnership)		Canada	100.0	100.0
Moly-Cop Chile S.A.	(c)	Chile	100.0	100.0
Moly-Cop Mexico S.A de C.V.	(c)	Mexico	100.0	100.0
MolyCop Steel Inc.		Canada	100.0	100.0
Moly-Cop USA LLC	(c)	United States	100.0	100.0
OneSteel Americas Holdings Pty Limited	(b)	Australia	100.0	100.0
OneSteel Coil Coaters Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Group (US Holdings) Inc.		USA	100.0	100.0
OneSteel Manufacturing Pty Limited	(b)	Australia	100.0	100.0
OneSteel MBS Pty Limited	(b)	Australia	100.0	100.0
OneSteel NSW Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling Holdings Pty Ltd	(b)	Australia	100.0	100.0
OneSteel Recycling Hong Kong Limited		Hong Kong	100.0	100.0
OneSteel Recycling Overseas Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling, Inc.		USA	100.0	100.0
OneSteel Reinforcing Pty Limited	(b)	Australia	100.0	100.0
Onesteel Stainless Australia Pty Limited (formerly Fagersta Australia Pty Ltd)	(b)	Australia	100.0	100.0
Onesteel Stainless Pty Limited (formerly Fagersta Steels Pty Ltd)	(b)	Australia	100.0	100.0
OneSteel Trading Pty Limited	(b)	Australia	100.0	100.0
OneSteel US Investments		USA	100.0	100.0
OneSteel US Investments 1 Pty Ltd	(b)	Australia	100.0	100.0
OneSteel US Investments 2 Pty Ltd		Australia	100.0	100.0
OneSteel Wire Pty Limited	(b)	Australia	100.0	100.0
P & T Tube Mills Pty Ltd		Australia	100.0	100.0
PT Commonwealth Steel Indonesia	(c)	Indonesia	100.0	100.0
Southern Iron Pty Ltd	(b)	Australia	100.0	100.0
SSX Acquisitions Pty Limited	(b)	Australia	100.0	100.0
SSX International Pty Limited	(b)	Australia	100.0	100.0
SSX Pty Ltd	(b)	Australia	100.0	100.0
SSX Services Pty Limited	(b)	Australia	100.0	100.0
The Australian Steel Company (Operations) Pty Ltd	(b)	Australia	100.0	100.0
Tubemakers of Australia Pty Limited		Australia	100.0	100.0
Whyalla Ports Pty Ltd	(b)	Australia	100.0	100.0
XMS Holdings Pty Limited	(b)	Australia	100.0	100.0

a) Arrium Limited is a public company limited by shares, incorporated and domiciled in Australia. The registered office is c/- Company Secretary, Arrium Limited, Level 40, 259 George Street, Sydney NSW 2000, Australia.

b) These entities are party to a Deed of Cross Guarantee or Assumption Deed (Deeds) with Arrium Limited pursuant to ASIC Class Order 98/1418 and are eligible for the benefit of the individual class order.

c) Balance date of 31 December.

d) These entities are party to a Deed of Cross Guarantee with SSX Holdings Pty Limited pursuant to ASIC Class Order 98/1418 and are eligible for the benefit of the individual class order.

The financial years of all controlled entities above, with the exception of entities identified by (c) are the same as that of the parent entity, Arrium Limited.

22. INTERESTS IN SUBSIDIARIES AND JOINT VENTURES CONTINUED

(C) DEED OF CROSS GUARANTEE

Financial information for the Arrium Limited class order closed group:

	CLOSED GROUP	
	2015 $m	2014 $m
CONSOLIDATED INCOME STATEMENT		
Sales revenue	4,215.9	4,885.1
Cost of sales	(4,029.7)	(3,983.0)
Gross profit	186.2	902.1
Other revenue	19.0	56.5
Other income	70.6	68.4
Operating expenses	(2,218.1)	(750.1)
Finance costs	(84.9)	(105.7)
Share of net loss of investments accounted for using the equity method	0.3	–
(Loss)/profit before income tax	(2,026.9)	171.2
Income tax benefit/(expense)	108.4	(31.1)
Profit after tax from continuing operations	(1,918.5)	140.1
Net (loss)/profit from discontinued operations, after tax	(19.0)	18.2
Profit after tax	**(1,937.5)**	**158.3**
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME		
(Loss)/profit after tax	(1,937.5)	158.3
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
– net (losses)/gains taken to equity	(6.6)	2.9
– transferred to profit	0.7	1.1
– transferred to initial carrying amount of hedged items	0.7	0.7
Currency translation differences:		
– net investment hedges	(246.5)	(3.8)
– exchange fluctuations on overseas net assets	250.3	(20.7)
Items that may not be reclassified subsequently to profit or loss:		
Actuarial gains on retirement benefit obligation	7.5	10.0
Other comprehensive income/(loss) for the year, net of tax	**6.1**	**(9.8)**
Total comprehensive (loss)/income for the year	**(1,931.4)**	**148.5**
SUMMARY OF MOVEMENTS IN CONSOLIDATED RETAINED EARNINGS		
Retained earnings at the beginning of the financial year	1,011.6	143.9
Net (loss)/profit	(1,937.5)	158.3
Share capital reduction (Note 17)	–	831.8
Dividends provided paid	(41.0)	(122.4)
Retained earnings at the end of the year	**(966.9)**	**1,011.6**

22. INTERESTS IN SUBSIDIARIES AND JOINT VENTURES CONTINUED

(C) DEED OF CROSS GUARANTEE CONTINUED

	CLOSED GROUP	
	2015 $m	2014 $m
CONSOLIDATED BALANCE SHEET		
Current assets		
Cash and cash equivalents	95.5	436.1
Receivables	508.2	545.3
Derivative financial instruments	9.5	5.7
Inventories	739.5	936.3
Tax assets	–	7.4
Other assets	7.0	9.6
Disposal groups and assets held for sale	2.2	34.4
Total current assets	**1,361.9**	**1,974.8**
Non-current assets		
Receivables	0.3	–
Derivative financial instruments	12.2	16.6
Other financial assets	2,037.9	1,813.1
Property, plant and equipment	1,482.6	2,134.6
Mine development expenditure	106.6	530.6
Other intangibles and goodwill	1,255.1	1,551.8
Deferred tax assets	252.1	91.3
Other assets	33.5	22.5
Total non-current assets	**5,180.3**	**6,160.5**
TOTAL ASSETS	**6,542.2**	**8,135.3**
Current liabilities		
Payables	750.7	911.8
Derivative financial instruments	10.2	48.0
Interest-bearing liabilities	928.3	804.7
Provisions	272.7	292.3
Disposal groups and liabilities held for sale	6.4	21.0
Total current liabilities	**1,968.3**	**2,077.8**
Non-current liabilities		
Derivative financial instruments	4.4	3.6
Interest-bearing liabilities	1,629.1	1,919.2
Provisions	145.3	102.2
Total non-current liabilities	**1,778.8**	**2,025.0**
TOTAL LIABILITIES	**3,747.1**	**4,102.8**
NET ASSETS	**2,795.1**	**4,032.5**
Equity		
Contributed equity	3,708.9	2,969.0
Retained earnings	(966.9)	1,011.6
Reserves	53.1	51.9
TOTAL EQUITY	**2,795.1**	**4,032.5**

Other Disclosures

This section provides the remaining information that is also relevant to the Group's application of the accounting standards and other pronouncements and understanding of the financial position and performance.

23. RETIREMENT BENEFIT OBLIGATIONS

(A) ACCOUNTING FOR RETIREMENT BENEFIT OBLIGATIONS

The Arrium Group participates in a number of defined benefit and accumulation plans in Australia and Canada as detailed below. The funds provide benefits either on a defined benefit or cash accumulation basis, for employees on retirement, resignation, disablement, or to their dependants on death.

A liability or asset in respect of the Group's defined benefit plan is recognised in the Balance Sheet as the present value of the defined benefit obligation less the fair value of the plan's assets, and is measured using the projected unit credit method at the reporting date. The present value of the defined benefit obligation is based on expected future payments, which arise from membership of the fund to the reporting date, calculated annually by independent actuaries. Consideration is given to expected future salary levels, experience of employee departures and periods of service.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using corporate bonds yield curve that are denominated in the currency in which the benefits will be paid, and that have terms approximating the terms of the related obligation.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in reserves in the Statement of Changes in Equity and in the Balance Sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in Income Statement as past service costs.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or reduction in the future payments is available.

(B) ACCUMULATION PLANS

The benefits provided by accumulation funds are based on contributions and income thereon held by the fund on behalf of the member. Contributions are made by the member and the Company based on a percentage of the member's salary, as specified by the fund rules. These contributions are expensed in the period in which they are incurred. Contributions by the Group of 9.50% (2014: 9.25%) of employees' wages and salaries are legally enforceable in Australia for year ended 30 June 2015.

(C) DEFINED BENEFIT PENSION PLANS

Australia

The Group has two superannuation plans in Australia, one of which has defined benefit sections and defined contribution sections. The benefits provided by the defined benefit sections of the plan are based on the length of service of the member and the salary of the member at or near retirement. Member contributions, based on a percentage of salary, are specified by the fund rules. The defined benefit sections have been closed to new members since February 2011.

Employer contributions are made each month to the fund in accordance with the advice of the actuary to the fund, at levels deemed to be adequate to fund benefit payments in accordance with the fund's Trust Deed. These contributions are expensed in the period in which they are incurred.

Canada

The pension plans are defined benefit plans funded by employer contributions made in accordance with the most recent actuarial valuations for funding purposes.

The Group also operates a number of plans in Canada, which provide employees with post-employment benefits in respect of medical costs. Contributions are made on a pay-as-you-go basis as benefits are paid.

These defined benefit plans expose the Group to certain risks, such as interest rate risk, market (investment) risk, salary risk and some longevity risk.

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(D) BALANCE SHEET AMOUNTS

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	CONSOLIDATED					
	PRESENT VALUE OF OBLIGATIONS	FAIR VALUE OF PLAN ASSETS	NET AMOUNT	PRESENT VALUE OF OBLIGATIONS	FAIR VALUE OF PLAN ASSETS	NET AMOUNT
	2015			2014		
	$m	$m	$m	$m	$m	$m
Year ended 30 June 2015						
Balance at the beginning of the year	(496.3)	480.9	(15.4)	(506.2)	477.9	(28.3)
Included in income statement						
Current service cost	(10.0)	–	(10.0)	(15.8)	–	(15.8)
Interest (expense)/income	(17.8)	16.7	(1.1)	(20.4)	18.8	(1.6)
	(27.8)	**16.7**	**(11.1)**	**(36.2)**	**18.8**	**(17.4)**
Included in OCI						
Remeasurements (losses)/gains:						
Actuarial (losses)/gains arising from:						
– financial assumptions	(2.1)	–	(2.1)	(13.5)	–	(13.5)
– demographic assumptions	0.5	–	0.5	(7.2)	–	(7.2)
– experience adjustment	(13.9)	–	(13.9)	(7.6)	–	(7.6)
Return on plan assets excluding interest income	–	28.0	28.0	–	44.3	44.3
Changes in asset ceiling/onerous liability excluding interest income	0.7	–	0.7	–	(1.7)	(1.7)
	(14.8)	**28.0**	**13.2**	**(28.3)**	**42.6**	**14.3**
Other						
Contributions:						
– plan participants	(2.9)	0.3	(2.6)	(2.7)	0.4	(2.3)
– employer	–	12.9	12.9	–	18.0	18.0
Benefits paid	75.8	(75.8)	–	71.1	(71.1)	–
Administrative expenses paid from plan assets	–	(0.3)	(0.3)	–	(0.3)	(0.3)
Net foreign exchange differences	(13.1)	11.0	(2.1)	6.0	(5.4)	0.6
	59.8	**(51.9)**	**7.9**	**74.4**	**(58.4)**	**16.0**
Balance at the end of the year	**(479.1)**	**473.7**	**(5.4)**	**(496.3)**	**480.9**	**(15.4)**

REPRESENTED BY:	2015 $m	2014 $m
Net defined benefit asset/(liability):		
Defined benefit Australia	33.5	22.3
Defined benefit and post-employment medical benefits Canada	(38.9)	(37.7)
	(5.4)	**(15.4)**

The Group has no legal obligation to settle any defined benefit liability with an immediate contribution or additional one-off contributions.

23. RETIREMENT BENEFIT OBLIGATIONS CONTINUED

(E) CATEGORIES OF PLAN ASSETS

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	DEFINED BENEFIT PENSION PLANS			
	AUSTRALIA	CANADA	AUSTRALIA	CANADA
	2015		2014	
	%	%	%	%
Equity instruments:				
– Australian	11	–	28	–
– Canadian	–	14	–	27
– International	11	24	27	31
– Emerging markets and absolute returns	1	5	2	–
Bonds:				
– Australian	20	–	7	–
– Canadian	–	56	–	41
– International	24	–	15	–
– Emerging markets and absolute returns	3	–	5	–
Cash	21	1	6	1
Other alternatives	9	–	10	–

Equity and bonds represent the majority of the Plan assets. Almost all of them are quoted in an active market.

The Australian Plan's asset manager currently does not employ any Asset-Liability Matching analysis on the Plan's investment strategy. The Canadian Plan's Asset-Liability strategy includes a 30% benchmark allocation to long-term bonds, which closely match the Plan's liabilities.

(F) SIGNIFICANT ESTIMATES: ACTUARIAL ASSUMPTIONS AND SENSITIVITY

Various actuarial assumptions are required when determining the Group's pension schemes and other post-employment benefit obligations. AASB 119 *Employee Benefits* requires employee benefit provisions and defined benefit plan liabilities to be determined by discounting future cash flows using discount rates determined with reference to market yields at the end of the reporting period on corporate bonds.

The principal actuarial assumptions used in determining defined benefit obligations for the Group's defined benefit plans are shown below:

	DEFINED BENEFIT PENSION PLANS		POST-EMPLOYMENT MEDICAL BENEFITS	DEFINED BENEFIT PENSION PLANS		POST-EMPLOYMENT MEDICAL BENEFITS
	2015			2014		
PRINCIPAL ACTUARIAL ASSUMPTIONS	AUSTRALIA %	CANADA %	CANADA %	AUSTRALIA %	CANADA %	CANADA %
Discount rate[1]	3.6	3.9	4.1	3.5	4.1	4.3
Future salary increases	2.8	3.3	3.1	3.0	3.3	3.1
Immediate healthcare cost trend rate	N/A	N/A	6.8	N/A	N/A	6.8
Ultimate healthcare cost trend rate	N/A	N/A	4.5	N/A	N/A	4.5

1. The discount rate for Australian defined benefit funds was determined based on a high quality corporate bond yield curve published by Milliman in Australia (2014: a blend of national government bonds yield curve).

(G) SENSITIVITY TO TREND ASSUMPTIONS

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined benefit obligation by the amounts shown below.

	DEFINED BENEFIT PENSION PLANS				POST-EMPLOYMENT MEDICAL BENEFITS	
	AUSTRALIA		CANADA		CANADA	
	INCREASE	(DECREASE)	INCREASE	(DECREASE)	INCREASE	(DECREASE)
2015	$m	$m	$m	$m	$m	$m
Discount rate (1% movement)	(10.0)	10.4	(19.0)	20.9	(5.4)	6.7
Future salary increases (1% movement)	8.9	(7.6)	N/A	N/A	N/A	N/A
Health care cost trend rate (1% movement)	N/A	N/A	N/A	N/A	4.3	(3.8)

(H) EMPLOYER CONTRIBUTIONS – AUSTRALIA

Excluding salary sacrifice contributions, the Group intends to continue to contribute to the defined benefit sections of the plan at a rate of at least 13.5% (2014: 13.5%) of superannuation salaries, in line with the actuary's latest recommendations. The Group also intends to contribute the additional "top-up" contributions to the Arrium Superannuation Fund to fund the current funding deficit as instructed by the Fund actuary from time to time.

Total employer contributions excluding any additional "top-up" contributions expected to be paid by the Group in respect of defined benefit sections for the year ending 30 June 2016 are $5.5 million (2015: $6.1 million).

The average duration of the defined benefit obligation is approximately 5 years (2014: 6 years).

(I) EMPLOYER CONTRIBUTIONS – CANADA

Total employer contributions to pension and post-employment medical plans in Canada expected to be paid for the year ending 30 June 2016 are $4.4 million (2015: $4.4 million). The average duration of the defined benefit obligation is between 11 to 15 years (2014: 12-17 years).

24. RESERVES

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
Foreign currency translation reserve	(44.8)	(91.5)
Cash flow hedge reserve	(0.2)	5.0
Retirement benefit obligation reserve	47.3	37.9
Share-based payments reserve	18.5	27.8
	20.8	(20.8)

(A) FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the effective portion of the gain or loss on net investment hedges. The movement in the reserve is shown as follows:

	2015 $m	2014 $m
At the beginning of the year	(91.5)	(48.2)
Net investment hedges	(246.5)	(3.8)
Reclassified to profit and loss	3.5	–
Exchange fluctuations on overseas net assets	289.7	(39.5)
At the end of the year	(44.8)	(91.5)

(B) CASH FLOW HEDGE RESERVE

The cash flow hedge reserve is used to record the effective portion of the gain or loss on hedge instruments and the underlying hedged item in designated cash flow hedge relationships. The movement in the reserve is shown as follows:

	2015 $m	2014 $m
At the beginning of the year	5.0	0.3
(Losses/gains taken to equity	(6.6)	2.9
Transferred to profit and loss	0.7	1.1
Transferred to initial carrying amount of hedged items on Balance Sheet	0.7	0.7
At the end of the year	(0.2)	5.0

(C) RETIREMENT BENEFIT OBLIGATION RESERVE

The retirement obligation reserve is used to record actuarial gains and losses arising on the Group's defined benefit plans. The movement in the reserve is shown as follows:

	2015 $m	2014 $m
At the beginning of the year	37.9	28.1
Remeasurement gains on retirement benefit obligation	9.4	9.8
At the end of the year	47.3	37.9

(D) SHARE BASED PAYMENT RESERVE

The share-based payments reserve is used to record the value of equity-based compensation provided to employees and senior executives as part of their remuneration. Refer to Note 29 for further details of these plans. The movement in the reserve is shown as follows:

	2015 $m	2014 $m
At the beginning of the year	27.8	26.2
(Reversal)/Expense recognised	(1.8)	12.7
Transferred from employee compensation shares (Note 17)	(7.5)	(11.1)
At the end of the year	18.5	27.8

25. COMMITMENTS

(A) CAPITAL COMMITMENTS

During the year ended 30 June 2015, the Group had entered into commitments to purchase property, plant and equipment for $58.2 million (2014: $48.2 million).

(B) OPERATING LEASE COMMITMENTS

The Group has entered into various non-cancellable operating leases on property, plant and equipment. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group also leases various plant and machinery under cancellable operating leases.

Future minimum rentals payable under non-cancellable operating leases as at 30 June are follows:

	CONSOLIDATED 2015 $m	CONSOLIDATED 2014 $m
Within one year	79.9	77.7
After one year but not more than five years	176.3	151.7
Longer than five years	103.0	59.2
Total operating lease commitments	359.2	288.6

26. CONTINGENCIES

(A) CONTINGENT LIABILITIES

Contingent liabilities at the balance date not otherwise provided for in the financial statements are categorised as follows:

	CONSOLIDATED	
	2015 $m	2014 $m
Guarantees and indemnities		
Bank guarantees covering:		
Workers' compensation self-insurance licences[1]	42.7	45.2
Performance of contracts	44.2	60.7

1. In Australia, Arrium Limited has given guarantees to various state workers' compensation authorities as a prerequisite for self-insurance. Of this amount, a total of $24.2 million (2014: $26.1 million) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

(B) THIRD PARTY CLAIMS

The Group has been involved from time to time in various claims and lawsuits incidental to the ordinary course of business, including claims for damages and commercial disputes relating to its business, products or services. Based on the status of these claims and legal advice obtained, other than amounts already provided for in the accounts, the Directors do not expect any material liability to eventuate.

(C) TAXATION

From time to time, the Company is subject to information requests, reviews, audits and investigations by tax authorities in the various jurisdictions in which the Group operates, including the Australian Taxation Office (ATO). In December 2014, the Company reached a settlement with the ATO regarding a dispute over amended assessments issued by the ATO in respect of a sale and leaseback transaction entered into by the Company in 2004. The matter has been fully resolved and no contingency is required in respect of that matter. All relevant amounts have been recognised as at 30 June 2015.

27. RELATED PARTY DISCLOSURES

(A) TRANSACTIONS WITH RELATED PARTIES IN THE WHOLLY-OWNED GROUP

Throughout the year, the parent entity, Arrium Limited, entered into the following transactions with members of the wholly-owned group:

- Loans were received
- Interest was paid
- Dividends were received
- Tax related transactions occurred within the tax consolidated group.

(B) ULTIMATE CONTROLLING ENTITY

The ultimate controlling entity of the Arrium Group is Arrium Limited.

28. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2015 NUMBER	2014 NUMBER
Employees as at 30 June	8,662	9,269

	CONSOLIDATED	
	2015 $m	2014 $m
The aggregate employee benefit liability is comprised of:		
Provisions – current	210.3	246.1
Provisions – non-current (excluding defined benefit liability)	33.3	36.0
Total employee benefit liabilities	243.6	282.1

(A) ACCOUNTING FOR EMPLOYEE BENEFITS

Wages and salaries, annual leave and long service leave

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year, together with entitlements arising from wages and salaries and annual leave which will be settled after one year, are measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted at the reporting date based on a high quality corporate bond yield curve published by Milliman in Australia (2014: national government bonds yield curve) using terms to maturity that match as closely as possible the timing of the estimated future cash outflows.

Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

28. EMPLOYEE BENEFITS CONTINUED

(B) SELF-INSURED WORKERS' COMPENSATION PROVISION

Obligations under self-insurance workers' compensation licences included in provision for employee benefits:

	CONSOLIDATED	
	2015 $m	2014 $m
New South Wales	15.5	16.8
Queensland	0.8	1.0
Victoria	4.9	4.9
South Australia	2.9	2.8
Western Australia	0.1	0.6
Total self-insurance workers' compensation provision	24.2	26.1

(C) SHARE BASED PAYMENTS

The Arrium Group provides benefits to employees (including Directors) in the form of share-based payment transactions, whereby employees render services in exchange for Arrium Limited ordinary shares or rights to ordinary shares (equity-settled transactions). These instruments are held in trust and are subject to certain performance conditions.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the instruments at the date of the grant.

The fair value is determined by an external valuation using a Monte Carlo Simulation, binomial tree methodology or a Black Scholes pricing model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than those conditions that are linked to the price of the ordinary shares of Arrium Limited (market conditions).

The cost of the equity-settled transactions is recognised together with a corresponding increase in Equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects:

– The extent to which the vesting period has expired, and
– The number of equity instruments that are estimated to ultimately vest, based on the best available information at the reporting date.

This valuation is formed based on the best available information at balance date.

No adjustment is made for the likelihood of market conditions being met, as the effect of these conditions is included in the determination of fair value at grant date.

The dilutive effect, if any, of outstanding options or unvested shares, is reflected as additional share dilution in the computation of diluted earnings per share. Arrium Limited ordinary shares acquired on-market and held in trust are classified and disclosed as Employee Compensation Shares and deducted from equity.

Significant accounting judgements, estimates and assumptions relating to share based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date of grant. The fair value is determined by an external valuer using a Monte-Carlo Simulation, binomial tree methodology or a Black Scholes pricing model, using the assumptions detailed below.

Non-market vesting conditions are not included in the fair value of the equity settled instruments. Instead, at each reporting date the Group adjusts the number of equity instrument with non-market vesting conditions based on the number of equity instruments that are expected to vest.

The accounting estimates and assumptions relating to equity-settled share based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Long-Term Incentive (LTI) Performance Rights Plan (PRP)

The PRP for senior management provides for Rights to fully paid Arrium Limited ordinary shares. In addition, a special Service Rights allocation in 2011 provided for Rights to fully paid Arrium Limited ordinary shares. Rights are held in trust until vested to the participant. There are no voting entitlements attached to the Rights held in trust, nor are any dividends paid until such time as the Rights vest and the shares are allotted.

Vesting of Performance Rights is subject to the Company achieving specific performance hurdles and a three-year qualifying period. Vesting of the Service Rights is subject to a two-year service condition. There are no retesting provisions if Performance Rights fail to vest at the conclusion of the Performance Period. In addition, all or some of these Rights may vest to an individual on termination when special circumstances apply. At the discretion of the Board these include redundancy, death and permanent disability. There are no cash settlement alternatives. No consideration is required in accepting the Performance Rights.

The Performance Rights have two hurdles, Arrium's underlying EPS growth measured against EPS targets as determined by the Board and Arrium's relative Total Shareholder Return (TSR) measured against the Comparator Index, the S&P/ASX 200 Index (excluding the consumer discretionary, consumer staples, financial services, health, information technology and telecommunications services sectors). For each instalment, 50% of the Rights will vest subject to Arrium's relative TSR performance to the Base Comparator Index and the remaining 50% of Rights will vest subject to Arrium's EPS growth against set targets.

	2015		2014	
	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	28,981	0.76	22,888	0.75
Rights issued during the year	13,488	0.22	8,866	0.99
Rights vested during the year	(1,966)	1.25	(2,107)	1.50
Rights forfeited during the year	(6,644)	0.85	(666)	1.05
Outstanding at the end of the year	33,859	0.50	28,981	0.76

28. EMPLOYEE BENEFITS CONTINUED

(C) SHARE BASED PAYMENTS CONTINUED

The fair value of the Performance Rights granted is estimated at the grant date using either a Monte Carlo Simulation analysis or a binomial tree approach taking into account the terms and conditions upon which the Rights were granted. The fair value of the Service Rights is estimated at grant date using either a binomial tree approach or the Black Scholes model.

The following table lists the inputs to the models used.

GRANT DATE	PERFORMANCE HURDLE	DIVIDEND YIELD	EXPECTED VOLATILITY	RISK-FREE RATE	EXPECTED LIFE	WEIGHTED AVERAGE SHARE PRICE AT GRANT DATE
05/11/2012	TSR	7.00%	60%	2.60%	3 years	$0.39
05/11/2012	EPS	7.00%	60%	2.60%	3 years	$0.58
21/12/2012	Service	5.40%	60%	2.69%	3 years	$0.78
21/12/2012	TSR	5.40%	60%	2.69%	3 years	$0.58
21/12/2012	EPS	5.40%	60%	2.69%	3 years	$0.78
23/09/2013	TSR	7.00%	60%	2.88%	2.9 years	$0.96
23/09/2013	EPS	7.00%	60%	2.88%	2.9 years	$0.96
05/11/2013	TSR	7.00%	60%	2.88%	2.9 years	$0.96
05/11/2013	EPS	7.00%	60%	2.88%	2.9 years	$0.96
17/02/2014	TSR	7.00%	60%	2.88%	2.9 years	$0.96
17/02/2014	EPS	7.00%	60%	2.88%	2.9 years	$0.96
17/03/2014	TSR	7.00%	60%	2.88%	2.9 years	$0.96
17/03/2014	EPS	7.00%	60%	2.88%	2.9 years	$0.96
30/05/2014	Service	8.50%	60%	2.68%	2.3 years	$0.75
30/05/2014	TSR	8.50%	60%	2.68%	2.3 years	$0.59
30/05/2014	EPS	8.50%	60%	2.68%	2.3 years	$0.75
18/11/2014	TSR	–	60%	2.57%	2.8 years	$0.11
18/11/2014	EPS	–	60%	2.57%	2.8 years	$0.28
04/08/2014	Service	8.50%	60%	2.68%	2.3 years	$0.75
23/03/2015	Service	8.50%	60%	2.68%	2.3 years	$0.75
23/03/2015	TSR	–	60%	2.57%	2.8 years	$0.11
23/03/2015	EPS	–	60%	2.57%	2.8 years	$0.28

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

Long-Term Incentive (LTI) share plan

During the year ended 30 June 2012, the Company replaced the existing LTI Share Plan with a new Performance Rights Plan (PRP) which continues to operate in the year ended 30 June 2015. The new PRP applied from 1 July 2012, with the previous LTI Share Plan remaining in operation until all unvested awards have either vested or the executive's entitlement lapses. No further awards have been granted under the previous LTI Share Plan since it was replaced by the PRP.

The LTI Share Plan for senior management provides for grants of Arrium Limited ordinary shares. The shares granted are held in trust until vested to the participant. The shares held in trust carry voting rights and the holder is entitled to any dividends paid during the vesting period.

Vesting is subject to the Company achieving specific performance hurdles and a three-year qualifying period. If the shares do not vest immediately at the end of the three-year qualifying period, provisions exist that enable retesting of the performance hurdles. In addition, all or some of these shares may vest to an individual on termination when special circumstances apply. At the discretion of the Board these include redundancy, death and permanent disability. There are no cash settlement alternatives.

The performance hurdles relate to two comparative groups, namely the Australian Consumer Price Index plus 5% (Base Index) and the S&P/ASX 200 Index (excluding banks, media and telecommunications) (Comparator Index) that are measured against Arrium's performance in terms of TSR. For each instalment, 50% of the shares will vest subject to Arrium's TSR performance to the Base Index and the remaining 50% of shares will vest subject to Arrium's performance to the Comparator Index.

	2015		2014	
	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	3,403	2.52	4,171	3.73
Shares vested during the year	(352)	2.88	–	–
Shares forfeited during the year	(1,051)	2.76	(768)	4.83
Outstanding at the end of the year	2,000	2.27	3,403	2.52

There were no shares purchased or granted during the year.

Deferred Short-Term Incentive (STI) share plan

The Deferred STI Plan for senior management was introduced during the year ended 30 June 2014 and provides for grants of Arrium Limited ordinary shares. The shares granted are held in trust until vested to the participant. The shares carry voting rights and the holder is entitled to any dividends paid during the vesting period.

28. EMPLOYEE BENEFITS CONTINUED

(C) SHARE BASED PAYMENTS CONTINUED

Deferred Short-Term Incentive (STI) share plan continued

Vesting is subject to a two year service condition upon achievement of a combination of agreed financial, safety, business and individual performance targets for the financial year. There are no cash settlement alternatives.

	2015		2014	
	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $	NUMBER '000S	WEIGHTED AVERAGE FAIR VALUE $
Outstanding at the beginning of the year	–	–	–	–
Shares purchased during the year[1]	3,218,057	0.82	–	–
Outstanding at the end of the year	3,218,057	0.82	–	–

1. Relates to shares purchased and held in trust for the FY2014 deferred STI share plan.

29. KEY MANAGEMENT PERSONNEL DISCLOSURES

(A) COMPENSATION OF KEY MANAGEMENT PERSONNEL

	CONSOLIDATED	
	2015 $m	2014 $m
Short-term benefits	7,618,541	11,844,565
Long-term benefits	707,493	1,339,656
Post-employment benefits	326,744	368,123
Termination benefits	210,000	–
Share-based payments	(821,293)	2,961,575
	8,041,485	16,513,919

The Company has applied the exemption under Corporations Regulation 2M.3.03 which relieves listed companies from providing detailed remuneration disclosures in relation to their key management personnel in their annual financial reports by Accounting Standard AASB 124 *Related Party Disclosures*. These remuneration disclosures are provided in the Remuneration Report section of the Directors' Report which has been audited.

(B) LOANS TO KEY MANAGEMENT PERSONNEL

There were no loans made to or outstanding from Key Management Personnel during the current or prior year.

(C) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

Key Management Personnel of Arrium Limited and its related parties or their related entities, conduct transactions with entities within the Arrium Group that occur within a normal employee, customer or supplier relationship on terms and conditions no more favourable than those with which it is reasonable to expect the entity would have adopted if dealing with the Key Management Personnel or their related entity at an arm's length in similar circumstances. Details of these transactions can be found in the Remuneration Report.

30. AUDITORS' REMUNERATION

	CONSOLIDATED	
	2015 $	2014 $
Amounts paid or payable to the auditor of Arrium Limited, for:		
An audit or review of the financial report of the entity and any other entity in the consolidated group	1,872,658	1,827,601[3]
Other services in relation to the entity and any other entity in the consolidated group		
Other regulatory audits[1]	149,445	178,900
Other assurance related work[2]	96,000	138,071
Other services	400,768	218,900
	2,518,871	2,363,472

1. Includes assurance services for Natural Greenhouse and Energy Reporting (NGER), Jobs and Competitiveness Program (JCP) and Partial Exemption Certificate (PEC).
2. Includes agreed upon procedures for quarterly mining reports and ASX releases.
3. The 2014 audit fees have been restated to reflect $28,600 additional fees relating to the 2014 audit which were paid in 2015.

31. EVENTS AFTER BALANCE SHEET DATE

On 19 August 2015, the Company reduced its share capital by $353.3 million for the amount that is not represented by available assets, reflecting the impairment charges incurred by the Company and Consolidated Entity during the year ended 30 June 2015. This will have the effect of reducing the share capital account and eliminating accumulated losses at the Company and Consolidated Entity level. The transaction has been made in accordance with section 258F of the *Corporations Act 2001* (Cth) and will not result in any gains or losses being recognised in future reporting periods. The financial effect of this transaction will not affect the financial statements for the year ended 30 June 2015, but will be included in the financial statements for the year ending 30 June 2016.

Other than the above, there have been no circumstances arising since 30 June 2015 that have significantly affected or may significantly affect:

(a) The operations

(b) The results of those operations, or

(c) The state of affairs of Arrium Group in future financial years.

32. OTHER SIGNIFICANT ACCOUNTING POLICIES

(A) PRINCIPLES OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Arrium Limited (the parent entity) at balance date and the results of all subsidiaries for the year then ended. Arrium Limited and its subsidiaries together are referred to in this financial report as the Arrium Group, Group or the consolidated entity.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control ceases. All inter-company balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated Income Statement, Statement of Comprehensive Income, Statement of Changes in Equity and Balance Sheet respectively.

Changes in ownership interests

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

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in the carrying amount recognised in the Income Statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the Income Statement where appropriate.

If the ownership interest in a joint venture or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to the Income Statement where appropriate.

(B) FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

Transactions in foreign currencies are translated into the functional currency using exchange rates that approximate those prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at reporting period end exchange rates of monetary assets and liabilities denominated in foreign currencies, are recognised in the Income Statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss in the Income Statement.

Group entities

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

- Assets and liabilities for each Balance Sheet presented are translated at the closing rate at the date of that balance sheet
- Income and expenses for each Income Statement and Statement of Comprehensive Income are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to equity. When a foreign operation is sold and any borrowings forming part of the net investment are repaid, the cumulative amount in the translation reserve related to the foreign operation is recognised in the Income Statement, as part of the gain or loss on sale where applicable.

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

(C) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, it is recognised as part of the cost of acquisition of the asset, or as part of the expense.

Receivables and payables in the Balance Sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the Balance Sheet.

The GST components of cash flows which are recoverable from, or payable to the taxation authority are classified as part of operating cash flows.

(D) INVESTMENTS AND OTHER FINANCIAL ASSETS

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date. The Group does not have any held to maturity investments or available for sale investments.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading, and are classified as such if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the Income Statement. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in the Income Statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

(E) IMPAIRMENT OF ASSETS

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial assets or group of financial assets that can be reliably estimated. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

32. OTHER SIGNIFICANT ACCOUNTING POLICIES
CONTINUED

(F) LEASED ASSETS

Leases of property, plant and equipment where the Group, as lessee, has substantially all of the risks and benefits incidental to ownership of the leased item are classified as finance leases. These are initially recognised at the fair value of the leased asset, or if lower, the present value of the minimum lease payments as determined at the inception of the lease. The corresponding lease obligation, net of finance charges, is included in interest-bearing liabilities. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as an expense in the Income Statement.

The property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Operating lease payments are recognised as an expense in the Income Statement on a straight-line basis over the lease term. Lease incentives are recognised in the Income Statement as an integral part of the total lease expense.

(H) CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The accounting policies adopted are consistent with those of the previous financial year except for the following new and amended Australian Accounting Standards and AASB Interpretations adopted as at 1 July 2014:

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities*

AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. There was no significant impact of the amendment to the standard on the Group's financial statements.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

AASB 2013-3 amends the disclosures required by AASB 136 *Impairment of Assets* to remove the requirement to disclose the recoverable amount when a cash generating unit (CGU) contains goodwill or indefinite lived intangible assets but there has been no impairment, to require disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognised or reversed and to require detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognised or reversed. Appropriate disclosures have been made in the Group's financial statements.

AASB 2014-1 Part B *Amendments to AASB 119 – Defined Benefit Plans: Employee Contributions*

AASB 2014-1 Part B makes amendments in relation to the requirements for contributions from employees or third parties that are set out in the formal terms of the benefit plan and linked to service. The amendments clarify that if the amount of the contributions is independent on the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the related service is rendered, instead of attributing the contributions to the periods of service. The adoption of this standard did not have an impact on the Group.

(I) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses based on historical experience and on other various factors it believes to be reasonable under the circumstances. Actual results may differ from the judgements, estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the individual notes of the related financial statement line items.

33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

A number of new standards, amendments to standards and interpretations are effective for annual reporting periods beginning after 30 June 2015, with early adoption permitted, but have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group with the exception of the below:

AASB 9 *Financial Instruments (December 2014)*

AASB 9 is a new principal standard which replaces AASB 139. This new principal version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The final version of AASB 9 requires entities to account for expected credit losses from when the financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below:

(i) Financial assets that are debt instruments will be classified based on the objective of the entity's business model for managing the financial assets and the characteristics of the contractual cash flows.

(ii) Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investments can be recognised in profit or loss and there is no impairment or recycling on disposal of instruments.

(iii) Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases

(iv) Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows:
   - The change attributable to changes in credit risk are presented in other comprehensive income
   - The remaining change is presented in profit or loss

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

The Group plans to early adopt AASB 9 (December 2014) as at 1 July 2015. The significant area of change will be in relation to hedge accounting, which will be applied prospectively in accordance with transitional requirements. The impact is not expected to be materially different to how the Group currently accounts for financial instruments which have qualified for hedge accounting.

AASB 15 *Revenue from Contracts with Customers*

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

The application of AASB 15 will become mandatory for the Group's consolidated financial statements in 2019. The impact of the new standard on the Group's financial statements has not yet been determined.

Directors' Declaration

In the Directors' opinion:

(a) the consolidated financial statements and accompanying notes set out on pages 56 to 124 and the Remuneration Report in Sections B to F in the Directors' Report are in accordance with the *Corporations Act 2001* (Cth), including:

- (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*, and
- (ii) giving a true and fair view of the consolidated Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date, and

(b) the consolidated Financial Report also complies with International Financial Reporting Standards as disclosed in Note 1, and

(c) that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(d) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group identified in Note 22 will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee described in Note 22.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001* (Cth).

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

Jeremy Maycock
Chairman

Andrew Roberts
Managing Director & Chief Executive Officer

Sydney, 19 August 2015

Independent Auditor's Report

TO THE MEMBERS OF ARRIUM LIMITED

REPORT ON THE FINANCIAL REPORT

We have audited the accompanying financial report of Arrium Limited (the Company), which comprises the consolidated balance sheet as at 30 June 2015, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 33 comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL REPORT

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In Note 1, the Directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

AUDITOR'S RESPONSIBILITY

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

INDEPENDENCE

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

AUDITOR'S OPINION

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:
   (i) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

REPORT ON THE REMUNERATION REPORT

We have audited Sections B to F of the Remuneration Report included in pages 61 to 72 of the Directors' Report for the year ended 30 June 2015. The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with auditing standards.

AUDITOR'S OPINION

In our opinion, the Remuneration Report of Arrium Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

A W Young
Partner

Sydney, 19 August 2015