

21 July 2005

**ASX Announcement
Australian International Financial Reporting Standards (A-IFRS)**

OneSteel Limited Chief Financial Officer, Mr Tony Reeves, announced today that the Australian Equivalents of the International Financial Reporting Standards would be introduced from 1 July 2005 in line with Corporations Law requirements.

The estimated major impact of the changes, on the opening balance sheet as at 1 July 2004, can be summarised as:

- Net estimated downward adjustment to Retained Profits of \$126 million with the main components being:
 - \$104 million from the write down of Non-current assets and Goodwill
 - \$13 million from a Restatement of Deferred Tax balances
 - \$8 million from the recognition of a deficit in the Defined Benefits Superannuation fund
- There will be some write back in property and equipment for the 30th June 2005 accounts associated with improved future cash projections. The amount of write back is currently being determined.

Mr Reeves said, “ The changes do not have any impact in the areas of cash flows, capital management or the underlying economic value of the business.

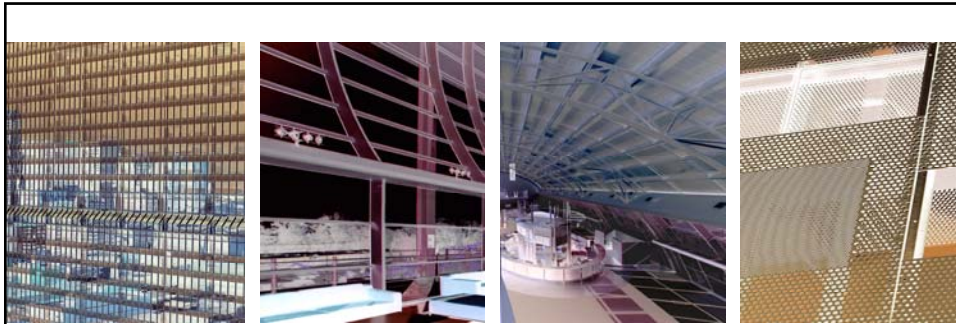
“ The new requirements stem from mandated changes to accounting standards. The interpretation of those standards is still evolving and therefore the numbers released today are for guidance purposes and still require final audit sign off.

“ It is our intention to prepare the 2005 Financial Statements using current Australian Accounting Standards (AGAAP) with the material impacts of A-IFRS to be disclosed in the notes.

“ The first full compliant statements will be for the six-month period to December 2005 and thereafter. OneSteel has a well-developed implementation and training plan in place, “ Mr Reeves said.

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International Financial Reporting Standards Information Pack – July 2005

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Preamble

- This pack has been prepared to give an overview of the impact of AIFRS on OneSteel
- At this stage it is not possible to provide final numbers as there are still interpretation issues, therefore:
 - The information provided is subject to finalisation and possible change
 - The numbers provided are unaudited
- The following impacts and associated numbers are for guidance purposes

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Procedural Matters

- The application date of the international standards will be 1st July 2005
 - Compliant accounts will be prepared for:
 - Six months to December 2005
 - Twelve months to June 2006
- The restated opening and closing balance of Retained Profits for the 2004/05 year will be provided
- The 2004/05 Financial Statements will be prepared using AGAAP. Material impacts of AIFRS will be disclosed in the notes
- Further detail will be announced as available

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Overview of Impacts

- Impacts
 - Impairment of fixed assets and goodwill
 - Restatement of deferred tax assets and liabilities
 - Recognition of the deficit in the defined benefits superannuation fund
- Areas of no impact
 - Underlying cash flow and therefore economic value of the company
 - Capital management decisions

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Preliminary Assessment of Main Impacts

- AIFRS Transition Adjustments Resulting from the Adoption of AIFRS for 2004/05 opening balance:

Adjustments to Retained Profits (as at 1 July 2004)	Estimated Impact
	\$ millions
AASB 136 Impairment of Non-current Assets including Goodwill	(104)
AASB 112 Restatement of Deferred Tax	(13)
AASB 119 Defined Benefits Superannuation	(8)
Other	(1)
Net Estimated Change	(126)

- AIFRS Transition Adjustments for closing balance 2004/05 currently being determined

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AASB 136 Non-current Assets including Goodwill

- Adjustment to value of non-current assets based on impairment test
 - Change to business unit definition (CGU)
 - Change to applied discount rate from being based on cost of debt to be based on cost of capital
- Some write back to Property Plant & Equipment expected in 2004/05 year
 - Adjustment to closing 2004/05 balance sheet
 - Amount will be taken through P&L for 2005/06 comparison
 - Figure not yet finalised
- Property plant and equipment values can be adjusted both up and down
- Goodwill no longer amortised
- Goodwill can only be written down not up

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AASB 112 Restatement of Deferred Tax

- Balance Sheet approach
 - Calculate temporary differences and income tax expense
- More a change in process
- Requires recognition of additional deferred tax liabilities

AASB 119 Defined Benefits Superannuation

- Impacts treatment of surpluses/deficits in the defined benefit superannuation fund
- Long term Government bond rate used to discount liabilities
- Deficit to be recognised as a liability
- Cash contributions unchanged
- Corridor approach has been adopted
 - Movements outside the corridor will be amortised through the profit and loss over the average remaining service period of the employees in the plan

Other AIFRS Standards

AASB 2 Share Based Payments

- Minor changes to the timing of amortisation compared to current practices

AASB 116 Property Plant & Equipment

- Make good costs to be capitalised up front and provisions raised to offset
- Reclassification of assets from PP&E to finite life intangibles (IT development costs etc)

AASB 127 Consolidations

- Will require the consolidation of the OneSteel Share Plan Trust



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Other AIFRS Standards

• AASB 139 – Financial Instruments

- Impacts the application of hedge accounting principles
- If hedge accounting not used the financial instruments will be marked to market increasing volatility of earnings
- Hedge accounting only to be used for interest rate and cross currency swaps as well as large FX transactions
- Does not impact the opening balance sheet as at 1 July 2004



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Implementation

- No impacts on cash flows
- No impact on capital management issues.
- First accounts under new standards to be
 - Six months to December 2005
 - 12 months to June 2006
- Financial Position for 1 July 2004 opening balance to be restated
- Closing balance for 30 June 2005 to be provided with August results material
- Implementation and training plans underway