



International Financial Reporting Standards

Information Pack – July 2005

onesteel

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

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

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

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

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

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

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

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

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