ONESTEEL LIMITED

ABN 63 004 410 833

APPENDIX 4E

PRELIMINARY FINAL REPORT

12 MONTHS ENDING 30 JUNE 2003

ONESTEEL LIMITED

HIGHLIGHTS OF RESULTS AND DIVIDENDS

12 MONTHS ENDING 30 JUNE 2003

Results for announcement to the market

				A$ Millions
Sales Revenue	up	5.3%	To	3,060.6
Revenues from ordinary activities	up	5.3%	to	3,076.6
Profit from ordinary activities after tax attributable to members	up	99.6%	to	94.0
Net profit for the period attributable to members	up	99.6%	to	94.0

Dividends	Amount per security	Franked amount per security
Final Dividend	6.0 c	6.0 c
Previous corresponding period	3.5 c	3.5 c
Record date for determining entitlements	19 September 2003	

This report is based on accounts that have been audited and are not subject to any dispute or qualification.

OneSteel Limited
Key Financials for the 12 Months to June 2003

12 Months Ending 30 June A$ millions	2003 Statutory	2002 Statutory	Pro Forma * 2001 Exc Prov	 2001 Inc Prov	% Ch 03/02
Sales Revenue	3,060.6	2,906.0	2,637.7	2,637.7	5.3
Other Revenue	39.5	80.5	141.5	141.5	(50.9)
Total Revenue	3,100.1	2,986.5	2,779.2	2,779.2	3.8
Earnings Before Interest Tax Depreciation Amortisation (EBITDA)	307.6	251.0	202.6	181.7	22.5
Earnings Before Interest Tax and Amortisation (EBITA)	221.1	166.8	118.0	74.7	32.6
Earnings Before Interest Tax (EBIT)	201.3	147.9	103.4	37.7	36.1
Borrowing Cost	44.5	54.4	61.8	61.8	(18.2)
Profit Before Tax	156.8	93.5	41.6	(24.1)	67.7
Tax expense	53.3	39.0	12.1	(2.1)	36.7
Net Profit After Tax and minorities (NPAT)	94.0	47.1	23.6	(27.9)	99.6
Cash Flow from operations	142.5	143.9	170.1		(1.0)
Free Cash Flow	154.9	28.5	220.8		443.5
Total Assets	2,577.0	2,582.0	2,710.8		(0.2)
Funds Employed	1,755.2	1,794.2	1,878.6		(2.2)
Liabilities	1,292.0	1,359.4	1,594.6		(5.0)
Net Debt	470.2	571.6	762.4		(17.7)
Capital and Investment Expenditure	130.9	70.8	108.4		84.9
Inventories	591.0	574.1	540.3		2.9
Employees	7,054	6,989	7,379		0.9
Sales per employee '000	433.9	415.8	357.5		4.4
Net Tangible Asset backing, $ per share	1.77	1.69	1.81		
EBITA margin on Sales %	7.2	5.7	4.5		
EBITA return on funds employed %	12.5	9.1	6.3		
Return on Equity %	8.3	4.7	2.6		
Gearing (net debt:net debt plus equity) %	26.8	31.9	40.6		
Gearing (net debt:net debt plus equity incl securitisation) %	34.3	38.7	46.1		
Interest Cover, times	4.52	2.71	1.60		
Earnings per share (cents – no. of shares at the end of the period)	17.2	8.7	5.1		97.7
Full-year Dividend per share (cents)	11.0	6.5	6.0		
Underlying Market Growth %	5.2	4.6	-9.2		
Cost Increases	68	57	37		
Cost Reductions	56	59	50		
Revenue Enhancements	51	20	15		
Raw Steel Tonnes Produced	1,624,399	1,576,650	1,438,770		3.0
Tonnes Dispatched	2,224,139	2,176,413	2,125,073		2.2
Export % of Tonnes Dispatched	3.8	7.9	13.1		

* The Statutory accounts for the 12 months to June 2001 do not include the trading of all the OneSteel group for the 12 months as the purchase of assets was completed at different times between July and October 2000.The pro forma numbers include the results of all businesses as if the assets and operations of all businesses spun out from BHP, were part of the OneSteel Group from 1 July 2000 to 30 June 2001.

A restructuring charge of $51.5 million after tax was provided for in the 2001 accounts. For comparison purposes the 2001 numbers have been calculated on both a post and pre restructuring provision basis.

OneSteel Limited
Review of Operations
For the Twelve Months To June 2003

Highlights

- Sales Revenue increased 5.3% to $3,060.6 million
- Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 22.5% to $307.6 million
- Earnings before interest, tax and amortisation (EBITA) increased by 32.6% to $221.1 million
- Net profit after tax and minorities doubled to $94.0 million
- Earnings per share increased 97.7% to 17.2 cents per share
- Free cash flow increased to $154.9 million from $28.5 million
- Safety performance improved 30%
- Total tonnes dispatched increased by 2.2%, with domestic dispatches increasing 6.8% and exports dispatched decreasing by 51.4% to 3.8% of total dispatches
- Underlying price per tonne increased 6.1% in total, 3.5% domestically and 37% for exports
- Net debt decreased by $101.4 million or 17.7% to $470.2 million
- The net debt to net debt plus equity ratio decreased from 31.9% to 26.8% excluding securitisation (the ratios are 38.7% and 34.3% inclusive of securitisation)
- Operating cash flow was marginally lower than last year reflecting lower OneSteel asset sales and higher capital and investment expenditure in 2002/03
- Inventory stock weeks remain under 10 weeks
- Staff numbers increased by 0.9% to 7,054 due to minor “bolt-on” acquisitions. Underlying staff numbers declined 2.0% to 6,845
- Return on funds employed (based on EBITA) increased to 12.5% from 9.1%
- Cost reductions of $56 million and revenue enhancements of $51 million were achieved against inflationary and other cost increases of $68 million
- The No.3 Tube Mill in Newcastle was closed
- A US$128 million private placement of debt was undertaken to pay down existing bank debt and lengthen the debt maturity profile.

Market Conditions

Market activity in the segments that impact OneSteel continued to recover, rising 5.2% over the year, compared with the 4.6% increase in the previous year. The fastest growing segments were automotive at 14.2%, residential construction at 10.8%, non-residential construction at 7.4% and engineering at 6.2%. The other manufacturing segment improved a little, while rural and mining production declined slightly.

Company Overview

Sales revenue for the 12 months to June 2003 grew 5.3% from $2,906.0 to $3,060.6 million when compared with the prior corresponding period. This increase reflects a pick up in underlying market conditions and additional revenue associated with the Alice Springs to Darwin rail contract. Total tonnes dispatched increased by 2.2%, with the underlying price per tonne increasing by 6.1%. Domestic tonnes dispatched increased by 6.8%, with the average underlying price per tonne increasing by 3.5%. Total exports for the period were at 3.8% of tonnes dispatched compared to 7.9% a year prior, with the average price per tonne increasing by 37%.

Operating earnings before interest, tax and amortisation (EBITA), increased by 32.6% for the 12 months recording a sales margin of 7.2%, compared with 5.7% for the prior corresponding period. On an **earnings before tax** basis, profit increased by 67.7% from $93.5 million to $156.8 million. Interest expenses were $44.5 million, down 18.2% from $54.4 million in the previous year.

Operating net profit after tax and minorities was $94.0 million, almost double the $47.1 million result a year earlier. Taxes expensed totalled $53.3 million, up 36.7% from the $39 million taxes expensed in the prior year, with the effective tax rate falling from 41.7% to 34%. The operating net profit equates to earnings of 17.2 cents per share (based on number of shares at year end), 97.7% higher than the prior year.

Safety performance improved during the year with the medical treatment injury frequency rate improving 27.7% to 15.6 and the loss time injury frequency rate improving 48.6% to 1.8. In measuring safety performance OneSteel also includes safety outcomes for contractors as well as employees.

Manufacturing revenue increased 1.5% or $25.9 million to $1,753.8 million reflecting good performance at Whyalla Steelworks, the benefit from a full year of restructuring at Market Mills, continued focus on operational excellence and price improvements. Manufacturing EBITA increased 48.9% to $128.5 million with an increase in sales margins from 5.0% to 7.3%. Manufacturing's EBITA return on funds employed increased from 7.7% to 11.8%. Domestic tonnes dispatched increased 6.5% while the average price per tonne decreased by 7.3% reflecting the higher priced pipe required for the Tasmanian Gas Pipeline contract. The underlying price movement was up 3.4%.

Australian Distribution revenue was up 7.7% or $117.8 million to $1,649.6 million reflecting the general improvement in market conditions. Distribution EBITA increased by 9.0% to $84.7 million with sales margins remaining stable at 5.1%. EBITA return on funds employed rose from 10.3% to 10.9%. Total tonnes dispatched increased 6.3% while price per tonne improved 2.9%.

During the year Distribution completed the integration of the Adelaide Steel Processors business, a toll processor of coil steel based in Adelaide, and acquired Marner Steel & Mesh, a reinforcing bar and mesh processor and distributor in Adelaide. Distribution also acquired Purlin Supplies, a roll-former specialising in purlins and roofing supplies to the commercial building industry in Sydney.

International Distribution revenue increased 0.6% or $1.6 million to $290.8 million while EBITA improved by 22.6% to $32.0 million. In New Zealand dollars, sales revenue was 0.7% lower at NZ$328.0 million, while EBITA increased by 14.7% to NZ$36.2 million. Sales margins improved from 9.0% to 11.0% while EBITA return on funds employed rose from 20.5% to 27.0%.

Further restructuring was undertaken over the 12 months with the closure of the No. 3 Tube Mill at Newcastle in April and consolidation of Distribution sites. Total restructuring/redundancy costs for the year were $5.8 million.

OneSteel is moving into the second stage of restructuring focused on business improvement initiatives. These include a focus on operational excellence, plant reconfiguration, continued implementation of the product rationalisation program, maintaining tight inventory management and systems upgrades. During the 12 months a total of $56 million dollars in costs were extracted along with revenue enhancements of $51 million, which together offset $68 million in cost increases.

Staffing levels rose by 0.9% over the 12 months from 6,989 as at the end of June 2002, to 7,054 by the end of June 2003, as a result of small "bolt-on" acquisitions, notably the acquisition of Hurricane Wire Products by Steel and Tube in New Zealand, and Purlin and Marner in Australia by Australian Distribution. Underlying staff numbers declined 2.0% to 6,845 employees.

Operating cash flow for the period was $142.5 million. This was marginally lower than last year mainly as a consequence of approximately $100 million less in OneSteel and Email residual business asset sales. Other significant movements were in **capital and**

investment expenditure which increased by 84.9% to $130.9 million. This reflects the acquisition of Hurricane Wire Products in New Zealand and other bolt-ons for $29.4 million and $19.5 million in expenditure on the upcoming Blast furnace reline project. Underlying ongoing capital expenditure remained lower than depreciation at $82 million.

There was also a significant improvement in cash flow from working capital of $94 million. **Free cash flow** improved to $154.9 million from $28.5 million.

OneSteel's **financial gearing** on a net debt, to net debt plus equity basis, continued to improve, falling from 31.9% to 26.8% with net debt decreasing 17.7% or $101.4 million from $571.6 million to $470.2 million. The reduction in debt has also been assisted by a revaluation of the US Dollar debt of $17.3 million as a result of the Australian dollar appreciation (OneSteel's gearing ratio including $200 million of securitisation fell from 38.7% to 34.3%). Interest cover has improved to 4.5 times from 2.7 times. The decline in debt stems from free cash flow generated from trading and some minor divestments.

Funds employed continued to fall, declining a further 2.2% or $39 million to $1,755.2 million. As a result, combined with improved profit performance, the EBITA return on funds employed has increased from 9.1% to 12.5%.

Inventories increased by 2.9% to $591.0 million when compared with the same corresponding period, reflecting the beginning of an inventory build up of $10.6 million in association with the furnace reline. However underlying inventory stock weeks continue to run under 10.

The Final dividend was declared at 6.0 cents per share fully franked, bringing the total dividends declared for the year to 11 cents which compares with a 6.5 cent fully franked dividend paid for the 12 months to June 2002. This represents a payout ratio of 63.7%. A dividend reinvestment plan exists which provides the facility for shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the weighted average market price during the five trading days before and including the record date for the relevant dividend. The record date for the dividend, and the last day for receipt of election notices for participation in the dividend reinvestment plan, will be Friday, 19 September 2003, with the dividend due to be paid on 16 October 2003.

Strategies for Improving Profit and Growth

Over the 12 months, a number of strategies were undertaken to improve business performance including:

- **Business Restructuring**
  - Closure of the No. 3 Tube Mill in Newcastle in April
  - Consolidation of distribution sites
  - Cost reductions of $56 million and revenue enhancements of $51 million were achieved
  - Acquisition of Hurricane Wire Products in New Zealand and other "bolt-on" distribution businesses namely Marner and Purlin.

- **Rationalise Low Margin Products** – Since listing, OneSteel embarked on a programme to lessen the complexity of the range of products offered to provide unit cost production savings and improve margins. A total of 137 grade/sections were identified which were reduced by 29 to 108 in 2001/02. In the last financial year a further 13 grades were removed, taking the number of grade/sections produced to 95. OneSteel continues to work on reducing complexity across its product range.

- **Debt Refinancing** – In April 2003, OneSteel completed a private placement of seven and 12-year debt in the US market. The proceeds of the US$128 million private placement were used to pay down existing bank debt. The debt issue lengthens OneSteel's debt maturity profile from under 2 years to over 4 years, more closely aligning it with the long life of its assets.

- **Information Systems** – OneSteel's sales and distribution, and business support information systems are being streamlined on a SAP platform. Stage one is to be completed within the next 12 months. The new platform will enhance communication between systems across the business providing further integration benefits. During the year several sites went live on the new platform with the remainder due to go live during 2003/04.

- **Iron Ore Reserves** – In line with OneSteel's strategy of maximising returns from its assets and the competitive advantage of high quality low cost iron ore, OneSteel has commenced a five-year Ore Beneficiation project that will process an estimated 9 million tonnes of lower-grade ore accumulations that will produce around 5 million tonnes of usable high-grade ore.

- **Iron Ore Resource** – A $6 million feasibility study is also currently underway to determine the possibility of using the company's large magnetite resources as a basis for further optimising the Whyalla operations.

Significant and Subsequent Events

The sale of the Email metering business was completed on the 11 August 2003 for a total value of $54m. This sale completes the divestment of the residual Email businesses following the joint acquisition of Email with Smorgon Steel.

Outlook

Market conditions continued to improve over the year when compared to 2001/2002, with the value of work done increasing by 5.2% in the segments which drive OneSteel revenues.

The residential sector continued to generate strong growth and the anticipated slowdown has been mild. Activity increased by 10.8%, compared with growth of 17% in the previous year.

The non-residential and engineering construction segments grew by 7.4% and 6.2% respectively in the latest financial year. Momentum in these segments is expected to continue to offset forecast lower activity in the residential and rural sectors. The three construction segments account for 58% of OneSteel's revenue. The remaining sectors are expected to remain relatively stable.

A major event for the company will be the $80 million capital expenditure and associated $95 million inventory build for the reline of the blast furnace at Whyalla which is scheduled to occur over approximately 65 days over June/July 2004. A total of $19.5 million in capital and $10.6 million on inventory was expended in 2002/03. The remaining $144.9 million is to be funded from internal cash generation, approximately $110 million of which will be in 2003/04, therefore debt will remain at current levels.

The 2004/05 year will be a very strong cash generation year as the inventory levels associated with this project are run down coupled with the company's normal strong cash flow. This will put the company in a strong position to consider any growth opportunities that may be available.

Around the same time as the completion of the Blast furnace reline, it is expected the company will be in a position to announce the outcome of the feasibility study into OneSteel's magnetite resources in the South Middleback Ranges.

As well as managing these projects, management will continue its focus on generating cash, improving capital management, managing costs down and retiring debt to improve profitability.

Operations Review for the 12 Months to June 30, 2003
$millions

Australian Distribution

	2003	2002	%
Revenue	1,649.6	1,531.8	7.7
EBITDA	101.4	94.5	7.3
EBITA	84.7	77.7	9.0
Assets	998.0	999.0	(0.1)
Employees	2,501	2,446	2.2
Sales Margin	5.1%	5.1%	
Funds Emp.	755.2	795.1	(5.0)
ROFE	10.9%	10.3%	5.8

Market Conditions
Market conditions in Distribution continued to build momentum particularly in the construction sector. The drought impacted trade in the second half of the year.

Performance
Improved performance was driven by underlying market conditions, combined with a full year of integration benefits from the Email business acquired in 2001. For most products there were a number of price increases from suppliers which were difficult to recover from customers. Also, imported product was more competitive with the stronger Australian dollar. Despite these pressures, the sales margin was the same as the previous year.
Steel and Tube market demand improved marginally while performance improved from pricing initiatives and operational efficiencies. There was some increased pressure from imports particularly in the area of tubular products
Reinforcing sales improved during the year on the back of strong construction activity and some price improvements. Project activity in this sector is robust and the residential sector remained solid throughout the year.
Sheet and Coil and Aluminium performed well with gains made in the stainless steel and aluminium markets. The Adelaide Steel Processors acquisition and the opening of a new branch in Perth also contributed to an improved performance.
Metaland operations were impacted by the drought with the most pronounced impact in Queensland and Victoria. Despite this Metaland was able to improve sales and margins.
Piping Systems sales were lower with fewer major projects in Australia than the previous year. Performance was improved through margin growth by managing costs down and increasing prices.

Initiatives
A number of sites in New South Wales businesses introduced the SAP platform in May and to date the system has performed to plan. The roll out of the system will continue in 2003/04, with Western Australia and Victoria converted to the new system since year end.

Outlook
Strong demand continuing in the construction sector from project activity offsetting expected lower residential and rural demand, with relatively stable conditions in other sectors.

Australian Manufacturing

	2003	2002	%
Revenue	1,753.8	1,727.9	1.5
EBITDA	193.0	148.8	29.7
EBITA	128.5	86.3	48.9
Assets	1,519.6	1,498.3	1.4
Employees	3,604	3,760	(4.1)
Sales Margin	7.3%	5.0%	
Funds Emp.	1,090.6	1,094.0	(0.3)
ROFE	11.8%	7.7%	53.2

Market Conditions
A strong order book coming into the year from projects such as the Alice Springs to Darwin Rail line combined with increased project activity during the year provided a good platform to build improved performance.

Performance
With a full year of benefits of the major restructuring undertaken in 2001/02 combined with a further reduction in costs of almost $40 million and revenue enhancements of $25 million, overall performance improved significantly.
All major operations at the **Whyalla** Steelworks performed well with production records achieved at various facilities. Safety performance improved by 34% in medical treatment injury frequency rate whilst the lost time injury frequency rate remains stable at a low level of 1.3.
The **Sydney Steel Mill** operated close to capacity for the year with an increase in scrap prices particularly in the second half of the year adding some increased costs to billet manufacture. A significant proportion of these costs were offset.
Rail and Structural sales increased with rail dispatches up 50% on the prior year reflecting deliveries for the Alice Springs to Darwin Rail project which was 97% complete by year end. Structural sales were also higher for the year on the back of the stronger market conditions.
Rod and Bar sales activity was marginally lower primarily as a result of exiting exports. Overall throughput increased significantly during the year due to operational efficiencies.
Pipe and Tube completed the rationalisation of structural pipe mill capacity with the closure of the No.3 Mill At Newcastle. Productivity gains were achieved during the year.
Wire volumes were down 9% as a result of lower rural activity. Despite this wire performed well during the year.

Initiatives
Main focus for the coming 12 months is to continue to improve operational efficiency and throughput of the operations. OneSteel is investigating the viability of commercialising its Magnetite iron ore resource.

Outlook
Market conditions are expected to remain at similar levels to last year. In June/July 2004 the Whyalla Blast furnace is due to be relined at a total capital cost of $80 million.

International Distribution

	2003	2002	%
Revenue	290.8	289.2	0.6
EBITDA	36.6	30.7	19.2
EBITA	32.0	26.1	22.6
Assets	156.1	133.1	17.3
Employees	765	620	23.4
Sales Margin	11.0%	9.0%	
Funds Emp.	129.5	107.6	20.4
ROFE	27.0%	20.5%	31.7

Market Conditions
Market conditions in New Zealand were stronger during the year as a result of strong demand in consumer spending and construction of new housing dwellings. The rural sector was resilient to an appreciating dollar.

Performance
Performance of International Distribution was very good. Underlying sales in New Zealand dollars improved 9% while EBITA profit improved by over 20% (Calculated by backing out revenues from AJ Forsyth which was sold in October 2001).
Steel distribution and processing performed well despite lower sales stemming from the stronger New Zealand currency pushing down pricing in the second half of the year. Volumes increased and with the addition of piping systems in the results overall profit improved.
Roofing Products benefited from the strongest new housing market in over 25 years posting a record profit for the year. Market demand was fuelled by higher migration rates combined with some of the lowest interest rates in years.
The **Reinforcing** division produced a substantially improved result during the year despite the construction market remaining flat. This was achieved as a result of a favourable mix of contracts.
Hurricane Wire Products was acquired during the second half of the year. The integration process is well underway and activity for this business was solid stemming from high rural activity.

Initiatives
The main focus will be on continuing to extract synergy benefits from the Hurricane Wire acquisition and to examine other potential growth opportunities.

Outlook
Economic forecasters are predicting growth prospects for the New Zealand economy will continue to feel the affects of a weak export sector as a consequence of the appreciation of the NZ dollar, lower international commodity prices and sluggish world growth.

OneSteel Financial Summary

PROFIT & LOSS SUMMARY	12 MONTHS TO 30 June ($millions)			
	2003 Statutory	**2002 Statutory**	**2001 excl prov Pro forma**	**% Ch 2003/2002**
Total Revenue	3,100.1	2,986.5	2,779.2	3.8
Cost of Sales	(2,792.5)	(2,735.5)	(2,576.6)	2.1
EBITDA	307.6	251.0	202.6	22.5
Depreciation/Amortisation	(106.3)	(103.1)	(99.2)	3.1
EBIT	201.3	147.9	103.4	36.1
Interest Expense	(44.5)	(54.4)	(61.8)	(18.2)
EBT	156.8	93.5	41.6	67.7
Tax Expense	(53.3)	(39.0)	(12.1)	36.7
Profit After Tax	**103.5**	**54.5**	**29.5**	89.9
OEI in Operating Profit After Tax	(9.5)	(7.4)	(5.9)	28.4
Profit Attributable to OneSteel	**94.0**	**47.1**	**23.6**	99.6

CASH FLOW SUMMARY ($millions)	June 2003	June 2002	June 2001
Earnings before tax	157.9	86.8	47.5
Depreciation / Amortisation	106.3	103.1	99.2
Capital & investment Expenditure	(130.9)	(70.8)	(108.4)
Working Capital Movement	17.5	(76.5)	183.2
Income Tax Payments	(24.0)	(20.8)	(39.6)
Asset Sales	16.7	56.2	116.8
Other	(1.0)	65.9	(128.6)
Operating Cash Flow	**142.5**	**143.9**	**170.1**
Dividend Paid	(54.1)	(35.1)	(16.0)
Capital Movements	13.0	66.3	0.0
Total Cash Flow	**101.4**	**175.1**	**154.1**

BALANCE SHEET ($millions)	As at 30 June 2003	As at 30 June 2002	As at 30 June 2001 (excl prov)
Cash	19.5	11.4	14.1
Receivables	439.9	452.8	561.5
Inventory	591.0	574.1	540.3
Fixed Assets	1,167.4	1,160.0	1,224.2
Other assets	359.2	383.7	370.7
TOTAL ASSETS	**2,577.0**	**2,582.0**	**2,710.8**
Borrowings	489.7	583.0	776.5
Creditors	467.7	425.1	444.4
Provisions	334.6	351.3	373.7
TOTAL LIABILITIES	**1,292.0**	**1,359.4**	**1,594.6**
NET ASSETS	**1,285.0**	**1,222.6**	**1,116.2**
Share Capital	1,079.6	1,066.6	995.0
Outside Equity Interest	54.7	53.1	52.1
Retained Profits / Reserves	150.7	102.9	69.1
SHAREHOLDERS' EQUITY	**1,285.0**	**1,222.6**	**1,116.2**

SEGMENTS 12 MONTHS TO 30 June 2003 $millions	Revenue			EBITDA			EBIT			Assets		
	2003	2002	% Ch	2003	2002	% Ch	2003	2002	% Ch	2003	2002	% Ch
Manufacturing	1,753.8	1,727.9	1.5	193.0	148.8	29.7	126.5	84.3	50.1	1,519.6	1,498.3	1.4
Distribution Aust	1,649.6	1,531.8	7.7	101.4	94.5	7.3	68.0	61.8	10.0	998.0	999.0	(0.1)
Distribution-Int	290.8	289.2	0.6	36.6	30.7	19.2	30.9	25.1	23.1	156.1	133.1	17.3
Corporate Activity	20.4	34.3	(40.5)	(7.0)	(9.2)	(23.9)	(7.7)	(9.5)	(18.9)	68.2	88.0	(22.5)
Inter segment	(614.5)	(596.7)	3.0	(16.4)	(13.8)	18.8	(16.4)	(13.8)	18.8	(164.9)	(136.4)	20.9
TOTAL ONESTEEL GROUP	3,100.1	2,986.5	3.8	307.6	251.0	22.5	201.3	147.9	36.1	2,577.0	2,582.0	(0.2)

OneSteel Limited

Statement of Financial Performance
for the year ended 30 June

	Note	Consolidated 2003 $m	Consolidated 2002 $m
Sales revenue	2	3,060.6	2,906.0
Cost of sales		(2,434.4)	(2,377.6)
Gross profit		626.2	528.4
Other revenues from ordinary activities		39.5	80.5
Operating expenses excluding borrowing costs	2	(464.4)	(461.0)
Borrowing costs		(44.5)	(54.4)
Profit from ordinary activities before income tax expense		156.8	93.5
Income tax expense relating to ordinary activities		(53.3)	(39.0)
Net profit from ordinary activities after related income tax		103.5	54.5
Net profit attributable to outside equity interests		(9.5)	(7.4)
Net profit attributable to members of the parent entity		94.0	47.1
Net exchange difference on translation of financial statements of self-sustaining foreign operations		0.5	2.8
Decrease in retained profits on adoption of revised accounting standard:			
AASB 1028 "Employee Benefits"		(0.7)	-
Total revenues and expenses attributable to members of the parent entity and recognised directly in equity		(0.2)	2.8
Total changes in equity other than those resulting from transactions with owners as owners attributable to members of OneSteel Limited		93.8	49.9
Basic earnings per share (cents per share)	5	17.34	9.33
Diluted earnings per share (cents per share)	5	17.27	9.30

The accompanying notes form an integral part of this Statement of Financial Performance.

OneSteel Limited

Statement of Financial Position
at 30 June

	Note	Consolidated 2003 $m	Consolidated 2002 $m
Current Assets			
Cash assets	6	19.5	11.4
Receivables		436.6	427.2
Other financial assets		3.3	25.6
Inventories		591.0	574.1
Other		8.6	9.9
Total Current Assets		1,059.0	1,048.2
Non-Current Assets			
Other financial assets		7.1	9.0
Property, plant and equipment		1,167.4	1,160.0
Intangibles		260.1	261.4
Deferred tax assets		55.7	80.7
Other		27.7	22.7
Total Non-Current Assets		1,518.0	1,533.8
Total Assets		2,577.0	2,582.0
Current Liabilities			
Payables		467.7	425.1
Interest bearing liabilities		40.0	33.0
Tax liabilities		1.5	0.9
Other provisions		113.1	130.2
Total Current Liabilities		622.3	589.2
Non-Current Liabilities			
Interest bearing liabilities		449.7	550.0
Deferred tax liabilities		141.6	138.2
Other provisions		78.4	82.0
Total Non-Current Liabilities		669.7	770.2
Total Liabilities		1,292.0	1,359.4
Net Assets		**1,285.0**	**1,222.6**
Equity			
Contributed equity	3	1,079.6	1,066.6
Reserves		0.6	0.1
Retained profits	4	150.1	102.8
Parent entity interest		1,230.3	1,169.5
Outside equity interest		54.7	53.1
Total Equity		**1,285.0**	**1,222.6**

The accompanying notes form an integral part of this Statement of Financial Position.

OneSteel Limited
Statement of Cash Flows
for the year ended 30 June

	Note	Consolidated 2003 $m	2002 $m
		Inflows/(outflows)	
Cash flows from operating activities			
Receipts from customers		3,076.5	2,872.0
Payments to suppliers and employees		(2,753.7)	(2,708.6)
Interest received		2.6	2.3
Interest and other costs of finance paid		(43.7)	(52.3)
Operating cash flows before income tax		281.7	113.4
Income taxes paid		(24.0)	(20.8)
Net operating cash flows		**257.7**	**92.6**
Cash flows from investing activities			
Purchases of property, plant and equipment		(101.5)	(70.8)
Purchases of investments		-	-
Purchases of businesses		(29.4)	-
Proceeds from sale of property, plant and equipment		16.4	27.4
Loan to non-related parties		(1.0)	-
Repayment of loan by non-related parties		-	65.9
Proceeds from sale of investments		0.3	-
Proceeds from sale of controlled entities net of their cash		-	28.8
Net investing cash flows		**(115.2)**	**51.3**
Cash flows from financing activities			
Proceeds from issue of shares		0.1	66.3
Proceeds from borrowings		275.4	349.0
Repayment of borrowings		(368.7)	(520.0)
Dividends paid		(41.2)	(35.1)
Net financing cash flows		**(134.4)**	**(139.8)**
Net increase/(decrease) in cash and cash equivalents		**8.1**	**4.1**
Cash and cash equivalents at beginning of year		11.4	7.3
Cash and cash equivalents at end of year	6	**19.5**	**11.4**

The accompanying notes form an integral part of this Statement of Cash Flows.

OneSteel Limited
Notes to the Financial Statements

Note 1. Changes in Accounting Policies

The accounting policies are consistent with those applied in the previous financial year, except for the first-time application of the following new or revised Australian Accounting Standards.

AASB 1028 "Employee Benefits" (applicable from 1 July 2002)
Under this revised Standard, the liability for wages and salaries, annual leave and sick leave are recognised in the financial statements at remuneration rates at which they are expected to be settled, rather than at wage and salary rates current as at reporting date. The adjustments to the consolidated financial report as a result of this change are:

- $1.0mill increase in provision for employee benefits
- $0.3mill increase in future income tax benefit
- $0.7mill decrease in opening retained profits

AASB 1012 "Foreign Currency Translation" (applicable from 1 July 2002)
The main impact on the financial statements of this revised Standard has been that US$ debt is carried in the Statement of Financial Position at the spot rate current as at reporting date. The corresponding gain or loss on the cross currency swap is carried as a sundry receivable or sundry creditor. At 30 June 2003 the initial value of the US$ loan has reduced by $17.3m.

AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets" (applicable from 1 July 2002)
This Standard has had only minor impact on the financial statements, mainly through an expansion of the classifications and disclosure of movements of provisions. Some redundancy provisions held as restructuring provisions in 2002 have been reclassified as employee entitlements.

OneSteel Limited
Notes to the Financial Statements

Note 2. Profit and loss items:

	Consolidated 2003	2002
	$m	$m
Profit from ordinary activities is after crediting the following revenues:		
Revenues from operating activities:		
Product sales	3,051.0	2,899.2
Rendering of services	9.6	6.8
Total sales revenues	3,060.6	2,906.0
Interest from non-related parties	2.6	2.3
Interest from controlled entity	-	-
Dividends from wholly-owned group	-	-
Other	13.4	12.6
Total revenues from operating activities	3,076.6	2,920.9
Revenues from non-operating activities:		
Proceeds from sale of non-current assets	16.7	55.2
Email management fee	6.8	10.4
Total revenues from non-operating activities	23.5	65.6
Profit from ordinary activities is after charging the following expenses:		
Manufacturing expenses	70.2	67.3
Distribution expenses	80.0	83.3
Marketing expenses	88.5	89.7
Administrative expenses	157.2	147.8
Other expenses	52.1	25.6
Cost of sale of non-current assets	16.4	47.3
Total operating expenses excluding borrowing costs	464.4	461.0
(a) includes amortisation of $19.8m not attributable to specific functions.		
Borrowing costs:		
Interest paid or payable to:		
Other unrelated parties	44.0	50.3
Amortisation of loan facility fees	2.7	4.1
	46.7	54.4
less: borrowing costs capitalised	(2.2)	-
Total borrowing costs	44.5	54.4
Included in the cost of sales and operating expenses are the following items:		
Depreciation and amortisation		
depreciation of property, plant and equipment		
buildings	10.1	9.3
plant and equipment	75.8	74.3

OneSteel Limited
Notes to the Financial Statements

Note 3. Contributed equity:

	Consolidated 2003 $m	Consolidated 2002 $m
Issued and paid-up:		
Ordinary shares	1,079.6	1,066.6
Total contributed equity	1,079.6	1,066.6

Movements in contributed equity for the year:

	Number of Ordinary shares		Value of Ordinary shares	
	2003 000's	2002 000's	2003 $m	2002 $m
On issue at beginning of year	538,601	460,278	1,066.6	995.0
Issued during the year				
under a share placement	-	69,777	-	66.3
less: costs associated with share placement	-	-	-	(1.3)
under the Employee Share Ownership Scheme	137	2,008	-	-
under the Executive Long Term Incentive Plan	-	638	-	-
from the exercise of options	112	1,417	0.1	1.3
under the Dividend Reinvestment Plan	8,016	4,483	12.9	5.3
On issue at end of year	546,866	538,601	1,079.6	1,066.6

Details of options held in Trust

Issue Date	Earliest Exercise Date	Expiry Date	Exercise Price	Options Available 000's 2003	Options Available 000's 2002
15-Dec-00	16-Dec-03	15-Dec-09	$0.9258	3736	3913
9-Apr-01	10-Apr-04	9-Apr-10	$0.8848	241	241
2-Sep-01	2-Sep-04	2-Sep-10	$1.0350	36	36
23-Sep-01	24-Sep-04	23-Sep-10	$0.9143	30	30
30-Sep-01	30-Sep-04	30-Sep-10	$0.9087	233	233
21-Dec-01	21-Dec-04	21-Dec-10	$1.0434	765	808
				5041	5261

Terms and conditions of contributed equity

Ordinary shares

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.

OneSteel Limited
Notes to the Financial Statements

Note 4. Retained Profits and dividends

		Consolidated 2003 $m	Consolidated 2002 $m
Retained profits at the beginning of the financial year		102.8	67.3
Reversal of dividend provided 30 June 2001	(a)	-	13.8
Payment of dividend provided 30 June 2001	(a)	-	(13.8)
Dividends provided and paid in current year		(46.0)	(16.1)
Transfer from foreign currency translation reserve	(b)	-	4.5
Adjustment arising from adoption of revised accounting standard AASB 1028 "Employee Benefits"		(0.7)	-
Net profit attributable to members of the parent entity		94.0	47.1
Retained profits at the end of the financial year		150.1	102.8

(a) 2002: Change in accounting policy for dividend recognition.
(b) 2002: Divestment of A J Forsyth & Company Limited.

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 $
2003		
Final fully franked dividend for 2002 as recommended and declared by the directors, paid 17 October 2002	18.9	0.035
Interim fully franked dividend for 2003, paid 24 April 2003	27.1	0.05
2002		
Final fully franked dividend for 2001 as recommended and declared by the directors, paid 18 October 2001	13.8	0.03
Interim fully franked dividend for 2002, paid 24 April 2002	16.1	0.03

Dividend Franking

All dividends paid were fully franked. The tax rate at which dividends have been franked is 30% (2002: 30%).

As of 1 July 2002, the new imputation system requires a company's franking credits to be expressed on a tax-paid basis. The franking account surplus existing at 30 June 2002 has been reinstated to a tax paid amount by multiplying the Class C franking surplus by 30/70.

	2003 $m	2002 $m
The amount of franking credits available for the subsequent financial year, represented by the franking account balance at 30% are:	6.2	7.0

OneSteel Limited
Notes to the Financial Statements

Note 5. Earnings per share:

	Consolidated	
	2003	2002
	$m	$m
The following reflects the earnings and share data used in the calculations of basic and diluted earnings per share:		
(a) Earnings		
Net profit	103.5	54.5
Net profit attributable to outside equity interest	(9.5)	(7.4)
Earnings used in calculating basic and diluted earnings per share	94.0	47.1
(b) Number of ordinary shares	**Number of shares**	
Weighted average number of ordinary shares used in the calculation of basic earnings per share	542,051,307	504,513,688
Dilutive effect of executive share options (a)	2,102,079	1,470,649
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	544,153,386	505,984,337

(a) Executive share options relate solely to ordinary shares.
All potential ordinary shares, being options to acquire ordinary shares, are considered dilutive.

OneSteel Limited
Notes to the Financial Statements

Note 6. Notes to the Statement of Cash Flows:

Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks and deposits at call, net of outstanding bank overdrafts.

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	Consolidated	
	2003	**2002**
	$m	**$m**
Cash	19.5	11.4
Total cash and cash equivalents	19.5	11.4

OneSteel Limited
Notes to the Financial Statements

Note 7. Segment information

2003

	Australia Manufacturing $m	Australia Distribution $m	Australia Unallocated $m	Australia Eliminations $m	Australia Total $m	International Distribution $m	International Eliminations $m	Consolidated $m
Segment revenues								
Revenues from customers outside the consolidated entity	1,154.7	1,645.9	8.7	-	2,809.3	290.8	-	3,100.1
Plus: Inter-segment revenues	599.1	3.7	11.7	(593.4)	21.1	-	(21.1)	-
Total revenues	1,753.8	1,649.6	20.4	(593.4)	2,830.4	290.8	(21.1)	3,100.1
Other non-cash expenses	(0.1)	(2.9)	(1.9)	-	(4.9)	(0.4)	-	(5.3)
EBITDA	193.0	101.4	(7.0)	(7.8)	279.6	36.6	(8.6)	307.6
Depreciation and amortisation	(66.5)	(33.4)	(0.7)	-	(100.6)	(5.7)	-	(106.3)
EBIT	126.5	68.0	(7.7)	(7.8)	179.0	30.9	(8.6)	201.3
Less: Borrowing costs								(44.5)
Less: Income tax expense								(53.3)
Profit after tax before minority interests								103.5
Segment assets	1,486.4	988.4	68.2	(171.4)	2,371.6	153.2	(3.5)	2,521.3
Plus: Tax assets								55.7
Total assets								2,577.0
Segment liabilities	270.8	229.6	659.4	(61.3)	1,098.5	50.4	-	1,148.9
Plus: Tax liabilities								143.1
Total liabilities								1,292.0
Non-current assets on acquisition	60.8	32.4	15.4	-	108.6	19.9	-	128.5

2002

	Australia Manufacturing $m	Australia Distribution $m	Australia Unallocated $m	Australia Eliminations $m	Australia Total $m	International Distribution $m	International Eliminations $m	Consolidated $m
Segment revenues								
Revenues from customers outside the consolidated entity	1,150.3	1,526.0	21.5	-	2,697.8	288.7	-	2,986.5
Plus: Inter-segment revenues	577.6	5.8	12.8	(580.5)	15.7	0.5	(16.2)	-
Total revenues	1,727.9	1,531.8	34.3	(580.5)	2,713.5	289.2	(16.2)	2,986.5
Other non-cash expenses	(0.2)	(1.0)	-	-	(1.2)	-	-	(1.2)
EBITDA	148.8	94.5	(9.2)	(1.2)	232.9	30.7	(12.6)	251.0
Depreciation and amortisation	(64.5)	(32.7)	(0.3)	-	(97.5)	(5.6)	-	(103.1)
EBIT	84.3	61.8	(9.5)	(1.2)	135.4	25.1	(12.6)	147.9
Less: Borrowing costs								(54.4)
Less: Income tax expense								(39.0)
Profit after tax before minority interests								54.5
Segment assets	1,461.3	980.1	64.6	(133.5)	2,372.5	131.7	(2.9)	2,501.3
Plus: Tax assets								80.7
Total assets								2,582.0
Segment liabilities	275.1	184.7	776.6	(49.6)	1,186.8	33.5	-	1,220.3
Plus: Tax liabilities								139.1
Total liabilities								1,359.4
Non-current assets on acquisition	40.6	69.3	6.7	-	116.6	3.0	-	119.6

Segment activities - Australia

Manufacturing

Whyalla Steelworks produces steel billets as feedstock for OneSteel's Market Mills operations together with rail products, structural steels and slabs for external sale.
Sydney Steel Mill produces steel billets for the manufacture of reinforcing and bar products on its own rolling mills as well as steel billet to be used as feed in OneSteel's other rolling facilities.
Rod & Bar manufactures products in its Bar Mill and Rod Mill at Newcastle used in a range of applications such as manufacturing, construction mining and automotive industries.
Pipe & Tube manufactures product for the construction, mining, oil & gas and manufacturing industries from its mills in Newcastle, Melbourne, Port Kembla and Perth.
Wire manufactures wire and steel rope for use in the construction, mining, manufacturing and agricultural industries from its mills in Newcastle and Geelong.

Distribution

OneSteel's Distribution business has centres located throughout Australia in capital cities and regional areas, providing a wide range of products to resellers and end users. Products include structural steel, steel plate, angles, channels, flat steel, reinforcing steel, steel sheet and coil, a range of aluminium products, pipes, fittings, valves and other industrial products.

Segment activities - International

Distribution

Comprises the 50.3% shareholding in Steel & Tube Holdings Ltd, a public listed company in New Zealand, which processes and distributes a comprehensive range of steel and associated products in the construction, manufacturing and rural industries.

Intra/inter segment transfers

The Australian manufacturing segment sells manufactured products such as structural steel, angles, channels, flat steel, reinforcing bar and mesh, pipe and tube products to the Australian and New Zealand Distribution segments.

Transfer pricing arrangements

All sales between the segments are conducted on an arms length basis, with terms and conditions no more favourable than those which it is reasonable to expect when dealing with an external party.