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STRENGTHENING ONESTEEL
2009 Annual Report

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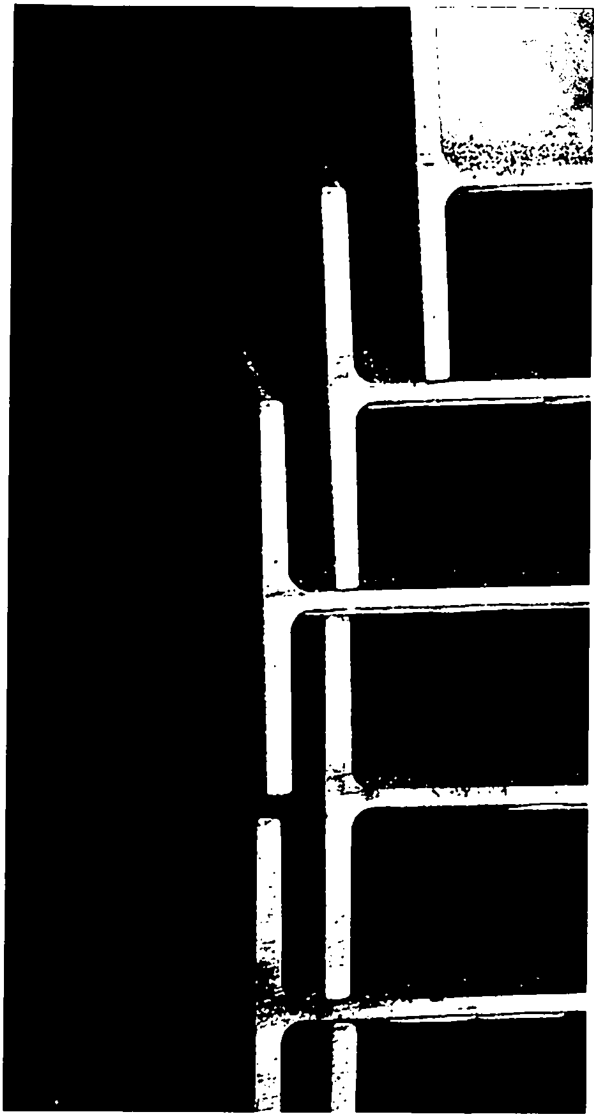
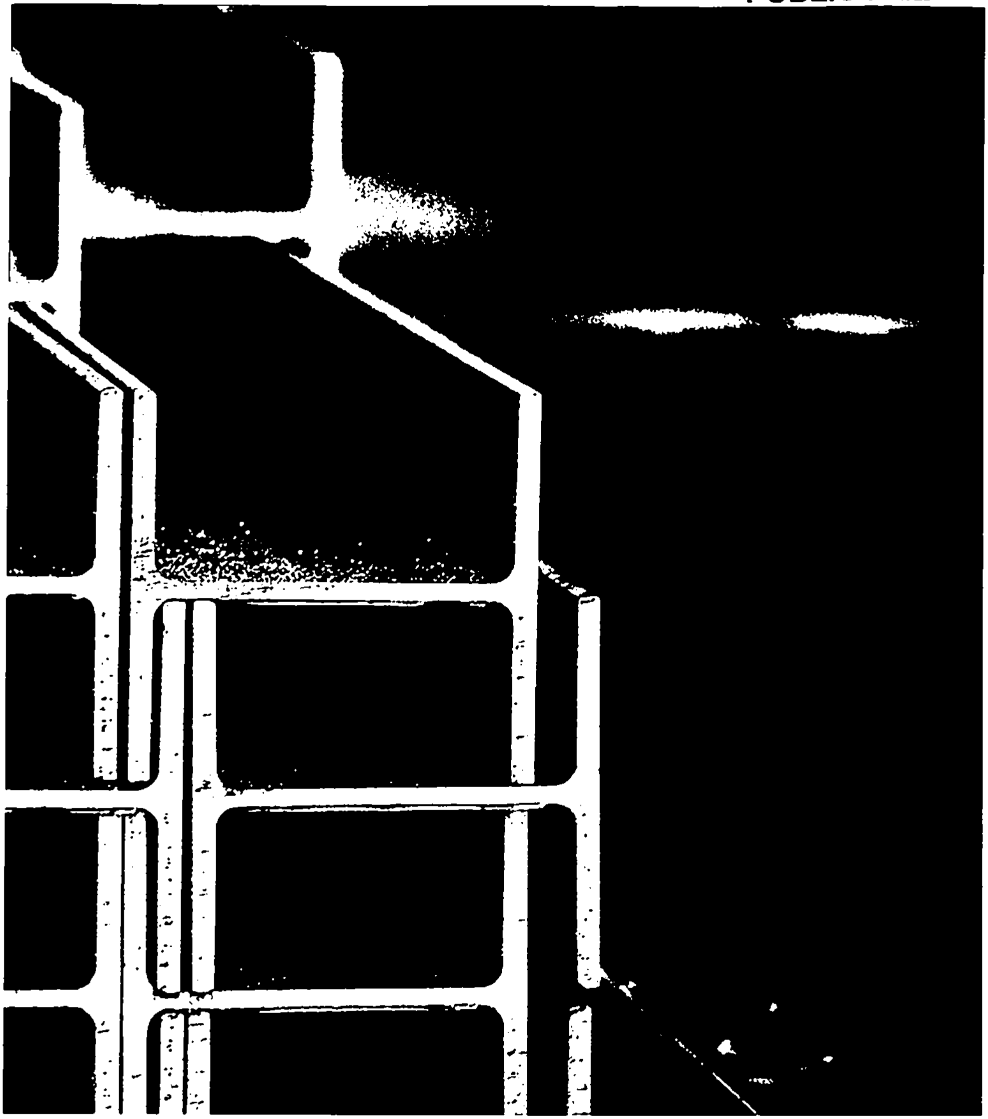


ONESTEEL LIMITED
ABN 63 004 410 833
OneSteel was listed on the Australian Securities Exchange on 23 October 2000.

ANNUAL GENERAL MEETING
OneSteel's Annual General Meeting will be held at City Recital Hall, Angel Place Auditorium, Sydney, NSW 2000 commencing at 2.30pm on Monday 16 November 2009.

CONTENTS

OneSteel manufactured 300PLUS® Universal Columns are utilised across a variety of industrial applications. Often used as upright supports in commercial buildings, bridges and jettles, this Australian-made Hot Rolled Structural product suits applications where tensile strength is required to meet precise engineering specifications.



OneSteel responded quickly to the sudden downturn in market conditions during the 2009 financial year and introduced a number of initiatives focussed on both the balance sheet and business operations to strengthen the company's position

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ONESTEEL LIMITED 2009

What we do
OneSteel Limited is an integrated, global manufacturer and distributor of steel and finished steel products. We are self sufficient in iron ore and have the ability to be self sufficient in scrap metal, providing significant flexibility to the integrated model that ranges from the mining, collection and supply of steelmaking raw materials through to steel production, manufacturing and distribution in Australia and overseas. OneSteel also makes external sales of hematite iron ore and scrap metal.

OneSteel's business segments include:

Iron Ore
Mining and sales of iron ore and by-products

Recycling
Collection and sales of ferrous and non-ferrous metals for internal use and external sales

Manufacturing
Manufacturing and value-add steel products

Australian Distribution and New Zealand Distribution
A strong steel distribution network and niche market positions

OneSteel's business strategy continues to focus on delivering in four key areas:
- Improving returns from existing businesses
- Achieving strong cash generation
- Growing and diversifying earnings
- Building organisational capability, particularly in relation to Supply Chain, Operational Excellence, and Customer and Market Insight.

Our mission
OneSteel's mission is to deliver superior and sustainable returns through leading market positions in the construction, recycling, resources and industrial markets, with the leadership of our high calibre people, and operating and distribution capabilities.

Our core values
OneSteel's mission is underpinned by the following values:
Safety – we will not compromise on safety.
Customers – we will meet our promise to customers.

Our achievements
Since the commencement of OneSteel in October 2000, the company has focused on building shareholder value through improving its market positions and unlocking inherent growth within its portfolio of businesses to drive the company toward sustainable returns.

In the 2009 financial year, we faced a difficult economic environment and the most challenging year on record for the steel industry due to the impact of the Global Financial Crisis. Despite starting the year strongly, the significant deterioration in market conditions during the year led to a disappointing full year result. The company responded quickly and strongly to the changed conditions, resetting its cost base and strengthening its balance sheet to better position it for facing its challenges and maximising its opportunities from the downturn.

Financial overview
- **Statutory net profit after tax $230 million, down 6%**
- **Underlying net profit after tax $215 million (market guidance around $200 million), down 32%, breakeven for second half**
- **Underlying earnings before interest and tax $461 million, down 25%**
- **Strong start to the year, but the last nine months were affected by the Global Financial Crisis**
- **OneSteel responded swiftly to reset the cost base and strengthen its balance sheet**
- **Debt maturing in 2009 refinanced early**
- **Achieved targeted reduction in inventory and working capital including a $120 million per annum reduction to the cost base through a labour reduction program as at mid-August with $160 million estimated by December 2009**
- **Raised additional $789 million of capital in equity raising**
- **Increased iron ore sales to 5 million tonnes and sales capacity to 6 million tonnes per annum**
- **Completed integration of the former Smorgon Steel business and achieved target net synergy benefits run rate of $100 million per annum**
- **Final dividend of 4 cents per share (unfranked) declared. Total dividend for the year 10 cents.**

Operational overview
- **Solid sales and operational performance for most of the first half**
- **Operating performance for the financial year significantly impacted by the Global Financial Crisis**
- **OneSteel's Australian Distribution and Manufacturing segments felt the impact of the Global Financial Crisis from November 2008**
- **Iron Ore and Recycling segments felt the impact earlier in first half due to international nature of their markets**
- **First half EBIT $401 million, second half EBIT $60 million**
- **EBIT/Sales margin down 1.8pts to 6.4%**
- **Iron Ore segment achieved volume target with sales of 5.1 million tonnes and lifted sales capacity to 6 million tonnes per annum. EBIT, at $162 million, is down on prior year due to lower prices and foreign exchange volatility**
- **Recycling – EBIT breakeven in second half. EBIT loss for the year of $39 million – includes $30 million inventory writedown and $10 million cost from contract renegotiations following fall in commodity prices in first half**
- **Manufacturing EBIT down 18% to $161 million due to 24% decrease in volumes, partly offset by higher average price and cost reductions**
- **Australian Distribution EBIT up 26% to $185 million due to cost reductions and a strong market early in year.**

Financial results for the full year ended 30 June 2008

Sharyn Page – new Company Secretary announced

Takeover offer for Steel & Tube Holdings Ltd

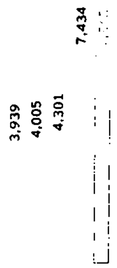
Decision not to proceed with Steel & Tube Holdings takeover offer

Steel & Tube Holdings Ltd announced CEO transition plans

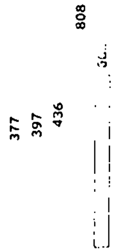
Announced adjustments to steelmaking production levels

OneSteel simplified organisational structure

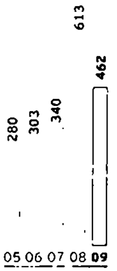
Financial results for the six months ended 31 December 2008



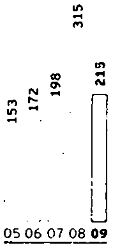
Sales Revenue $m



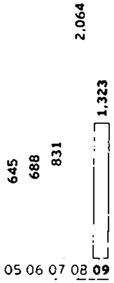
EBITDA $m



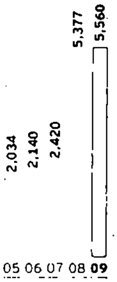
EBIT $m



Net Profit After Tax $m



Net Debt $m



Funds Employed $m

Numbers above are based on Underlying result.

Key financials

Year ended 30 June
A$ millions

	FY09[1]	FY08[2]	% Change
Sales	**7,241.5**	7,434.3	(2.6%)
Other Revenue/Income	**66.3**	50.5	31.3%
Total Revenue/Income	**7,307.8**	7,484.8	(2.4%)
Gross Profit	**1,587.5**	1,681.2	(5.6%)
EBITDA - Underlying	**661.2**	807.7	(18.1%)
Depreciation and Amortisation	**(199.5)**	(194.9)	2.4%
EBIT - Underlying	**461.7**	612.8	(24.7%)
Finance Costs	**(172.2)**	(159.6)	7.9%
Profit Before Tax - Underlying	**289.5**	453.2	(36.1%)
Tax Expense - Underlying	**(64.1)**	(128.0)	(49.9%)
Profit After Tax - Underlying	**225.4**	325.2	(30.7%)
Minority Interests	**(10.1)**	(10.2)	(1.0%)
Net Profit After Tax - Underlying	**215.3**	315.0	(31.7%)
Non-trading Items, Net of Tax	**14.2**	(70.1)	(120.3%)
Net Profit After Tax - Statutory	**229.5**	244.9	(6.3%)
Total Assets	**6,933.1**	7,291.5	(4.9%)
Inventory	**1,239.9**	1,298.9	(4.5%)
Total Liabilities	**2,596.8**	3,862.1	(32.8%)
Funds Employed	**5,560.2**	5,376.6	3.4%
Total Equity	**4,336.3**	3,429.4	26.4%
Net Debt - Statutory	**1,223.9**	1,947.2	(37.2%)
Net Debt (including derivatives)[8]	**1,323.0**	2,064.4	(35.9%)
No of Shares (at end of period) (millions)	**1,323.2**	876.2	51.0%
Operating Cash Flow - Underlying	**368.0**	350.8	4.9%
Free Cash Flow - Underlying	**183.2**	215.3	(14.9%)
Free Cash Flow	**180.4**	43.9	310.9%
Capital and Investment Expenditure	**190.9**	2,475.0	(92.3%)
Return on Assets % - Underlying	**6.5%**	8.4%	-1.9 pts
Return on Equity % - Underlying	**5.7%**	9.4%	-3.7 pts
Return on Funds Employed % (ROFE) - Underlying	**8.4%**	11.3%	-2.9 pts
Sales Margin - Underlying	**6.4%**	8.2%	-1.8 pts
Gross Profit Margin - Underlying	**21.9%**	22.6%	-0.7 pts
Earnings Per Share (cents) - Year End - Underlying[9]	**16.3**	36.0	-19.7 cents
Earnings Per Share (cents) - Weighted Average - Underlying[9]	**21.2**	34.9	-13.7 cents
Earnings Per Share (cents) - Weighted Average - Statutory[9]	**22.6**	27.1	-4.5 cents
Dividends per Share (cents)	**10.0**	21.5	-11.5 cents
Dividend Payout Ratio - Underlying	**49.2%**	59.9%	-10.7 pts
Dividend Payout Ratio - Statutory	**46.2%**	77.1%	-30.9 pts
Gearing - Underlying (net debt/net debt + equity)[8]	**23.4%**	37.6%	-14.2 pts
Gearing - Statutory (net debt/net debt + equity)	**22.0%**	36.2%	-14.2 pts
Interest Cover (times)	**2.7**	3.8	-1.1 times
Interest Cover including Capitalised Interest (times)	**2.7**	3.4	-0.7 times
Net Tangible Assets per Share ($)	**1.66**	1.53	8.5%
Employees (#)	**11,104**	11,678	(4.9%)
Sales per Employee ($000s)	**652**	637	2.4%
Raw Steel Production (mt)	**2,028,005**	2,559,422	(20.8%)
Steel Tonnes Despatched (mt)	**2,763,570**	3,659,823	(24.5%)

Please refer to Statistical Summary on page 117 for reference notes.

Update on production levels

Revised earnings guidance

Presentation submitted to Senate Committee on climate change policy

Steel & Tube Holdings Ltd organisational changes

Capital Raising announced

Chief Financial Officer announced departure (departing December 2009)

Kara Nicholls - new Company Secretary

Steel & Tube Holdings Ltd appointed new Chief Executive Officer

Financial results for the 12 months ended 30 June 2009

CHAIRMAN'S REVIEW

OneSteel responded quickly to the sudden downturn in market conditions and introduced a number of "back to basics" initiatives to strengthen the company's position

Welcome to OneSteel's Annual Report for the 2009 financial year, a year characterised by turbulent market conditions, but also some significant achievements for the company.

Last year I was pleased to report seven consecutive years of profit improvement since OneSteel's inception in the 2001 financial year. The company appeared to be on the path of yet another year of profit improvement, but from the second quarter, the impact of the Global Financial Crisis (GFC) on our key markets was unprecedented in its speed and severity and led to the company reporting a disappointing full year profit.

OneSteel responded quickly to the sudden downturn in market conditions and, late in the first half, introduced a number of "back to basics" initiatives focused on both the balance sheet and business operations to strengthen the company and reposition it for the weaker conditions.

In April, the company announced that it was reducing its earnings expectations for the 2009 financial year due to further market weakness. At the same time, the company announced it was taking a more pessimistic view of the market outlook, including the timing and shape of a recovery. The company decided it was prudent to raise capital to best position OneSteel for the changed environment, including further strengthening the balance sheet and reducing debt refinancing and related risk, as well as ensuring the company was well placed to be able to take advantage of growth opportunities.

The capital raising, including an institutional placement and an institutional and retail entitlement offer, was well oversubscribed and resulted in $789 million of additional capital. I would like to sincerely thank our shareholders for the strong support given to the company through the capital raising.

The year also marked a number of significant achievements for the company including meeting our iron ore sales volume target for the year of 5.0 million tonnes, despite very difficult market conditions, and increasing iron ore sales capacity from just over 4.0 million tonnes per annum a year ago, to 6.0 million tonnes per annum today.

We also completed the final rationalisation work associated with the integration of the Smorgon Steel businesses that were acquired in August 2007. The integration work was completed a year ahead of schedule and delivered a net synergy benefit run rate of $100 million per annum, $30 million more than was anticipated at the time of the merger. I am pleased to confirm that our significant investments in Project Magnet and the Smorgon Steel merger are continuing to add substantial value for shareholders.

The year in review

All business segments started the year strongly, but our Iron Ore and Recycling businesses felt the repercussions of the deteriorating global environment earlier than the Manufacturing and Australian Distribution businesses due to the international nature of their markets.

Sales revenue for the 12 months to 30 June 2009 decreased by 3% to $7,242 million, reflecting the impact of the GFC on volumes, partly offset by higher prices in our Manufacturing and Australian Distribution businesses.

Underlying earnings before interest, tax, depreciation and amortisation (EBITDA) was down 18% to $661 million.

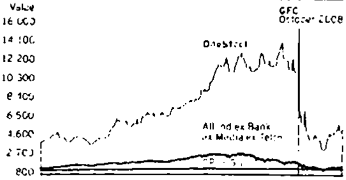
The sales margin, based on underlying earnings before interest and tax, was 6.4% compared to 8.2% for the prior year.

Underlying net profit after tax and minorities was $215 million, compared to $315 million for the prior year. Statutory net profit after tax and minorities was $230 million, down from $245 million in the prior year. This is equivalent to earnings per share of 21.2 cents, down from 34.9 cents for the previous year, due to the lower earnings and an increase in the number of shares on issue as a result of the capital raising.

The underlying effective tax rate of 22% incorporates the impact of utilising available capital losses to offset capital gains on the disposal of property and intangible assets during the year. The statutory effective tax rate of -8% for the year is due to benefits from tax consolidation, research and development and adjustments made to prior year returns.

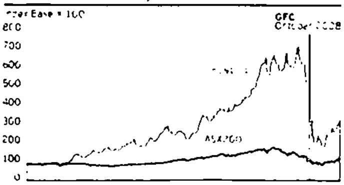
Staffing levels decreased from 11,678 at the start of the year to 11,104 at the end of the financial year. Staff numbers increased early due to the strong market conditions but were reduced through a

OneSteel Total Shareholder Return
June 2004 to June 2009



Source: Standard and Poors

OneSteel Share Price Versus ASX200 Share Index
23 October 2000 to 31 August 2009



Source: Bloomberg

PETER SMEDLEY / Chairman

labour reduction program implemented in response to weaker market conditions and to leverage off a new simplified organisational structure, as well as making sustainable efficiency improvements. The labour reduction program is anticipated to deliver an estimated $160 million of cost savings per annum, with at least $100 million of these savings expected to be maintained irrespective of operating activity levels.

Operating cash flow increased 5% to $368 million, but includes $57 million cash outflow in relation to redundancies during the year associated with the labour reduction program.

Financial gearing including derivatives was 23.4%, down from 37.6% at the end of the prior year, largely due to proceeds from the capital raising being used to reduce debt levels. Net debt including derivatives decreased from $2,064 million at the end of the prior year to $1,323 million.

Interest cover was 2.7 times compared to 3.8 times for the previous financial year.

Funds employed increased 3% to $5,560 million from $5,377 million for the prior year. The EBIT return on funds employed was 8.4%, down from 11.3% for the prior year due to lower earnings.

Inventories at $1,240 million decreased 5% from $1,299 million for the prior year. A significant deterioration in demand towards the end of the first half contributed to inventories increasing to $1,728 million at 31 December 2008, resulting in "back to basics" initiatives being implemented to bring inventories back to an acceptable level.

Total raw steel production at 2.03 million tonnes was 21% lower compared to the prior year, while Australian steel tonnes despatched was down 24% at 2.76 million tonnes.

I was pleased to announce that the Board declared a final unfranked dividend of 4 cents per share, bringing total dividends for the 2009 financial year to 10 cents. We were unable to frank this year's final dividend because of the significant tax refunds received and receivable in the 2009 financial year, as well as there being less tax applicable to the reduced earnings for the year. The extent that we are able to frank dividends in the future will depend on the amount of tax paid in Australia. The final dividend is to be paid on 15 October 2009. Books closed on 11 September 2009.

OUR STRONGER BALANCE SHEET AND ADJUSTED COST BASE LEAVES US WELL PREPARED TO WEATHER THE REMAINDER OF THE DOWNTURN AND TO CAPITALISE ON THE OPPORTUNITIES THAT LIE AHEAD

A Dividend Reinvestment Plan (DRP) will operate for the final dividend with no discount applicable. The DRP provides a facility for OneSteel's shareholders in Australia and New Zealand to reinvest their dividends in shares at a price calculated on the average of the daily volume, against the weighted average market price over 10 consecutive trading days.

Going forward, we are continuing to benefit from the company's strong response to the global downturn through our "back to basics" initiatives and have significantly improved our leverage to any increase in market activity. These initiatives have resulted in a stronger balance sheet and adjusted cost base, and leave us well prepared to weather the remainder of the downturn and to capitalise on the opportunities that lie ahead.

Management's focus for the 2010 financial year will be to maximise returns from the current businesses as markets start to improve, including careful management of the cost base, and to further optimise our iron ore supply chain and add to our iron ore reserves and resources through Project Magnet Phase 2.

On behalf of the Board of Directors, I would like to thank OneSteel's shareholders for their continuing support. I would also like to thank OneSteel's Managing Director and CEO, Geoff Plummer, the executive management team and all of OneSteel's employees for their dedication in servicing our clients and customers, and for their efforts to strengthen OneSteel through what has been one of the most challenging years ever for the Australian steel industry and the global economy.

PETER SMEDLEY / Chairman

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MANAGING DIRECTOR'S REVIEW

The 2009 financial year was off to a strong start, but substantial deterioration in both domestic and international market conditions, due to the effects of the Global Financial Crisis, affected the company's financial results in the last three quarters.

I am pleased to present the 2009 financial year results for OneSteel Limited. Despite starting the year strongly, our performance for the full year was severely impacted by the most difficult trading conditions on record for the Australian steel industry.

OneSteel reported an underlying net profit after tax of $215 million before restructuring activities of $46 million and tax benefits of $61 million. The result was pleasing in that it was slightly better than the earnings guidance of around $200 million which we provided to the market in April 2009, but represents a decrease of 32% from $315 million underlying net profit after tax reported in the previous year.

OneSteel's underlying earnings before interest and tax (EBIT) for the year was $461 million, down 25% compared to the underlying EBIT of $613 million reported in the previous year.

The 2009 financial year was off to a strong start, but substantial deterioration in both domestic and international market conditions, due to the effects of the Global Financial Crisis (GFC), affected the company's financial results in the last three quarters.

After delivering a solid first-half financial result to the end of December, we were breakeven at the Net Profit After Tax line for the six months to June, reflecting weaker demand, lower prices, and higher unit costs due to significantly reduced operating levels. Tight credit markets and economic uncertainty associated with the GFC led to much weaker international and domestic market conditions across all of our key segments.

The materials side of OneSteel's business, the Iron Ore and Recycling segments, felt the impact of the global downturn earlier than the other segments due to their exposure to international markets. However, international demand showed some signs of recovery in the fourth quarter as China ramped up steel production.

The Iron Ore business successfully achieved its volume target of 5.0 million tonnes for the year despite challenging market conditions, but revenue was affected by lower prices and a higher number of iron ore sales at lower spot prices due to the deferral of contract shipments in the second half of the financial year.

The Recycling business was breakeven for the six months to June, but recorded an EBIT loss for the full year, reflecting a $30 million inventory write-down in the first half due to a steep decline in prices for ferrous and non-ferrous scrap and a $10 million cost relating to non-ferrous contract renegotiations triggered by the GFC. In the second half, ferrous and non-ferrous supply was weaker than expected, reflecting lower industrial and construction activity levels.

OneSteel's Manufacturing and Australian Distribution business segment sales were strong in the July to October period, but fell away sharply from November and remained weak over the balance of the financial year. Significant channel destocking as well as reduced underlying demand from the manufacturing, construction and resources markets severely impacted domestic sales.

OneSteel responded quickly to the sudden effects of depressed market conditions and introduced a number of "back to basics" initiatives that focused on both the balance sheet and business operations to strengthen the company's position.

Our "back to basics" initiatives included adjusting production and operating levels, lowering inventory levels and reducing our cost base. These steps commenced in December and led to a 25% reduction in total raw steel production for the year to 2 million tonnes and lower inventory at the end of June. We also sought to strengthen the balance sheet by taking steps to refinance our maturing debt early, lower capital expenditure, increase focus on cash management, reduce dividends and raise additional capital.

Additional capital of $789 million was raised in April and May to reduce the company's gearing to a more appropriate level for the changed environment, reduce debt refinancing and related risk, and to provide greater flexibility for taking advantage of growth opportunities. I would like to sincerely thank our shareholders for their significant support through this process.

A number of labour initiatives introduced between November and the end of December this year will have resulted in total reductions of employed staff of approximately 1,240. The labour initiatives introduced up to mid August, amount to an estimated $120 million decrease in the labour cost base and a redundancy charge of $57 million was recorded in the 2009 financial year. We anticipate a total annualised benefit from the overall labour reduction program of an estimated $160 million, of which we expect $100 million will be permanent savings irrespective of operating activity levels.

Given the environment, the 2009 staff and executive salary reviews and short-term incentive payments for the 2009 financial year were cancelled and Directors' fees were frozen for the 2010 financial year.

OneSteel's "back to basics" program also included progressing the growth of its Iron Ore business and completing the final steps in the integration of the former Smorgon Steel businesses that were acquired early in the 2008 financial year.

Project Magnet

Under Project Magnet Phase 2, we successfully increased our iron ore production and sales capacity, and are now operating at a run rate of 6 million tonnes per annum. This represents a significant increase in capacity from around 4 million tonnes one year ago. This is a good outcome as it was achieved quickly and for very little cost.

Smorgon integration

The final rationalisation work associated with the integration of the Smorgon Steel businesses was

GEOFF PLUMMER / Managing Director and Chief Executive Officer

successfully completed during the financial year with the closure of Martin Bright last December and the Newcastle Bar Mill in February this year. The company achieved its target of a net synergy benefits run rate of $100 million per annum.

Carbon Pollution Reduction Scheme

There remains considerable uncertainty about the timing and impact of the Federal Government's Carbon Pollution Reduction Scheme (CPRS) that is intended to commence in July 2011, but has been voted down in the Senate. It is impossible to know the exact impact of the CPRS on OneSteel as that will largely be determined by the Emissions-Intensive Trade Exposed (EITE) assistance program that is yet to be finalised. However, the Government has given some indication that integrated iron and steelmaking and electric arc furnace steelmaking will be eligible for EITE assistance. At this point in time, OneSteel's best estimate is that the company will need to purchase permits for emissions in the range of 0.78 million tonnes to 1.25 million tonnes in the first year[1].

OneSteel believes that a key element in assessing the CPRS success against its policy objectives is that there should be no material change to OneSteel's competitive position compared to its overseas competitors. If our competitive position is materially impacted, the end result would be no net environmental gain as emissions associated with steel production would merely transfer offshore.

We will continue to look for opportunities to work constructively with the Federal Government to ensure that the CPRS best reflects the policy's environmental and economic objectives.

Commitment to safety

The safety of OneSteel's employees, contractors and customers is paramount to delivering superior and sustainable returns. I am pleased to report that OneSteel's safety performance has continued to improve in the 2009 financial year. Our key indicators, Lost Time Injury Frequency Rate (LTIFR) and Medical Treatment Injury Frequency Rate (MTIFR), advanced 11% and 19%, down to 1.6 and 9.1 respectively.

Outlook

We are encouraged by recent improvements to international and domestic market conditions. We expect trading conditions to continue to be challenging with only a modest recovery in activity levels expected in the near term. Improvements in the availability of credit and confidence are key to any significant lift in activity in our key markets.

We are also encouraged by State and Federal Government stimulus initiatives to invest in infrastructure and boost residential and non-residential building activity. While we cannot be certain on the timing of benefits from these initiatives, we are expecting to benefit from the Government's Building Education Revolution stimulus through the second half of the financial year and from larger infrastructure projects as they begin to ramp up from next financial year.

WE REMAIN CONFIDENT THAT THE FUNDAMENTALS FOR OUR KEY DOMESTIC AND INTERNATIONAL MARKET SEGMENTS ARE SOUND

Internationally, we expect there will continue to be overcapacity in steel production in the short term and this is expected to impact prices and margins for steel markets. However, there are clear indications that international steel and steelmaking input prices have passed the bottom.

In our Iron Ore and Recycling segments, there is increased confidence that the market bottom has also been passed. However, further price volatility is expected over the near term.

Over the longer term, we remain confident that the fundamentals for our key domestic and international market segments are sound. International prices for steel and steelmaking inputs are expected to remain volatile. However, prices are expected to improve over the longer term though unlikely to reach the highs of 2008. We expect domestic steel prices to remain relatively high, underpinned by elevated steelmaking input prices, but continue to be volatile.

I would like to extend my appreciation to OneSteel's employees on behalf of the entire management team and acknowledge their endeavours during what has been a very difficult year. I would also like to recognise and congratulate our employees for their commitment to safety and making great strides to drive proactive safety improvement. To OneSteel's customers, thank you for your ongoing support. Your success is pivotal to OneSteel delivering superior and sustainable returns. To OneSteel's shareholders, thank you for your support during the year, particularly around OneSteel's capital management initiatives. And finally, to the Chairman and OneSteel's Board of Directors, I would like to acknowledge your dedication, your counsel, and your encouragement through a challenging year.

GEOFF PLUMMER / Managing Director and Chief Executive Officer

1. Based on FY08 emissions and rates of assistance to be provided in the first year of the CPRS. Actual level of assistance received in any year will be dependent on various factors, in particular, actual production and emissions levels in the relevant period.

STRATEGIC FRAMEWORK SCORECARD

Despite the year starting with very strong demand across all of our business segments, the environment changed dramatically after the first quarter as global markets came to terms with the effects of the Global Financial Crisis.

Delivering OneSteel's strategy

The four key elements to OneSteel's overall business strategy are: improving returns from existing businesses; achieving strong cash generation; growing and diversifying earnings; and building organisational capability. Despite the year starting with very strong demand across all of our business segments, against the backdrop of very high prices for iron ore and ferrous scrap, the environment changed dramatically after the first quarter as global markets came to terms with the effects of the Global Financial Crisis.

Below is a summary of how the company performed against our objectives during the turbulent financial year ended 30 June 2009.

Improving returns from existing businesses

- Significantly, weaker international and domestic market conditions had a defining influence on the 2009 financial year results
- Underlying EBITDA $661 million, down 18%
- Underlying net profit down 32% to $215 million, slightly ahead of guidance of around $200 million, which the company provided to the market in April 2009 – a breakeven result for the second half
- Sales margin decreased to 6.4% from 8.2%
- Return on funds employed decreased to 8.4% from 11.3%
- Return on equity decreased to 5.7% from 9.4%
- Operating earnings per share decreased to 21.2 cents from 34.9 cents
- Contributed equity increased during the year by $789 million as a result of a capital raising in April and May 2009
- The Board declared a final dividend per share of 4 cents (unfranked). Total dividends per share decreased to 10 cents from 21.5 cents. The decision to deliver an unfranked final dividend is the result of reduced earnings for the year and significant tax refunds received and receivable. Ability to frank future dividends will depend on the level of franking credits generated from tax paid in Australia in future financial years.

Cash generation

- Operating cash flow increased to $368 million from $351 million as a result of lower tax payments during the year, partly offset by restructuring costs
- Free cash flow of $180 million
- Raised additional $789 million of capital
- Gearing (net debt/net debt plus equity) was 23.4%, reflecting the company's capital raising in April and May and improvements in working capital during the year.

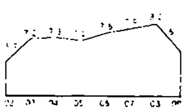
Growing and diversifying earnings

- Project Magnet Phase 2 resulted in an increase in iron ore sales to 5 million tonnes for the year and a run rate of 6 million tonnes per annum. The increment from 4 million tonnes was achieved quickly and at little cost and risk
- Successfully placed additional iron ore tonnes despite the difficult global market environment
- Work to determine the next steps and costs for unlocking the next increment of capacity expansion completed
- Invested $11 million in mine extension drilling and exploration work. Further $8 million to be invested in 2010 financial year. The company is confident of making incremental additions to its reserves and resources
- Non-ferrous exploration is commencing in the 2010 financial year; however, this is more speculative in nature
- The final stages of the Smorgon Steel Group integration and rationalisation were completed with closure of the Martin Bright facility and the Newcastle Bar Mill. The company achieved its upgraded target run rate for synergy benefits of $100 million per annum
- In the coming year, the company believes it is well positioned to benefit from any improvement in demand, including from the Government stimulus initiatives.

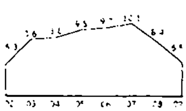
Organisational efficiency and capability

- A simplified organisational design with clear accountabilities was introduced to deliver better alignment of roles and responsibilities and to facilitate a reduction in costs
- The company escalated its cost reduction efforts across the organisation in response to the turbulent market conditions as well as making sustainable efficiency improvements, particularly in the support services areas
- The cost reduction program included introducing more stringent policies over expenditure and embarking on a company-wide labour cost reduction program
- Anticipated total annual benefit from the program of $160 million with at least $100 million of this expected to be maintained irrespective of operating activity levels
- Continued emphasis was placed on the targeted development of staff including business leaders
- Staff responded to the significant downturn in activity by working flexibly, taking leave and working reduced hours
- Investment in skills for the future continued albeit on a reduced bases with more than 50 apprentices and 60 cadets and graduates recruited during the year

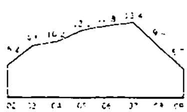
Sales Margin[1-6] (%)



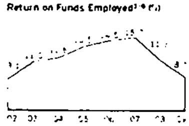
Return on Assets[1-6] (%)



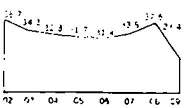
Return on Equity[1-6] (%)



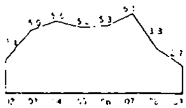
Return on Funds Employed[1-6] (%)



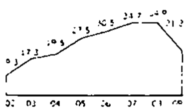
Gearing Ratio[1-6,8] (%)



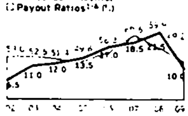
Interest Cover[1-6] (times)



Earnings per Share[1-6,9] (cents)



■ Dividends[1-6] (cents)
◻ Payout Ratios[1-6] (%)



Please refer to Statistical Summary on page 117 for reference notes.

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ONESTEEL MANAGEMENT

GEOFF PLUMMER BEc
Managing Director and CEO

Age 53. Mr Plummer was appointed Managing Director and Chief Executive Officer on 2 May 2005. Prior to this appointment, Geoff was Deputy Managing Director and also held the role of Executive General Manager Market Mills. Geoff joined OneSteel in October 2000 from BHP where he spent 22 years in a variety of roles including President Rod & Bar Products (BHP Steel), General Manager of the joint venture company Bekaert-BHP Steel Cord, President of Australian Logistics Services in BHP Transport and management positions in BHP wire operations.

LEO SELLECK BSc
Executive General Manager Technology, Safety & Services

Age 60. Mr Selleck has had 37 years experience in the Australian steel industry, joining OneSteel from BHP where he had served in a variety of roles since 1972. Leo has significant experience in the integrated steelmaking business. He has also held corporate roles in the fields of safety and environment. Prior to his current position, his previous roles included Executive GM Whyalla, Executive GM Project Magnet and Executive GM, Electric Arc Furnaces & Technology.

MARK PARRY BComm
Chief Executive Whyalla

Age 47. Mr Parry joined OneSteel from BHP after working in a number of roles since 1984. Prior to his current role, Mark was GM Manufacturing Pipe & Tube. He has served as General Manager of the joint venture company Bekaert-BHP Steel Cord and held the position of Manager Geelong Wire Mill.

ANDREW ROBERTS BComm
Chief Executive Market Mills

Age 42. Mr Roberts joined OneSteel from BHP Steel, starting in 1989. Andrew has held a number of roles in marketing, sales and general business management across the Manufacturing, Materials, Steel-in-Concrete and Distribution businesses.

STEVE HAMER BEng (Hons)
Chief Executive Distribution

Age 52. Mr Hamer was appointed Chief Executive, Distribution in February 2009 and has spent his career in the Australian steel industry in a range of technical, functional and business management positions. In his previous role, Steve was Executive GM for Steel-in-Concrete.

GREG WATERS BBus (Mktg)
Chief Executive Recycling

Age 49. Mr Waters joined OneSteel in October 2008 from BlueScope Steel where he held a number of senior roles including President, Western Port Works and President, Greater China. Previously, Greg held a number of General Management roles for BHP and Brambles in Land and Sea Transport and Logistics located in Australia, South East Asia and the United States.

TONY REEVES BEc, MComm, FCPA
Chief Financial Officer
(departing December 2009)

Age 54. Mr Reeves joined OneSteel in October 2001 and has been responsible for accounting, tax, risk management, treasury, business planning, legal, company secretarial and investor relations. Tony is also a director of Steel & Tube Holdings Ltd. His previous roles include finance, marketing and IT positions in Australia, the United Kingdom and the United States with ICI and Orica, and finance and commercial positions with Allied Mills, Vinidex and Unilever.

BILL GATELY BEc
Executive General Manager Human Resources & Organisational Effectiveness

Age 48. Mr Gately has been in this role since OneSteel was publicly listed in 2000. Bill joined OneSteel from BHP where he had worked since 1979 in a range of human resource and employee relations positions. During that period, he worked for BHP Minerals and in the Newcastle and Port Kembla Steel operations where he played a key role in significant change and business improvement initiatives.

Dave Taylor will commence as CEO at Steel & Tube Holdings Ltd in October 2009.

OPERATIONAL OVERVIEW

OneSteel's vertically integrated business model provides a number of competitive advantages, including representation across the full value chain from resources and recycling to steel production, value-add rolling mills and distribution

OneSteel's integrated model

More than a steel manufacturer, OneSteel is a uniquely integrated portfolio of complementary businesses, including the supply of raw materials to its own and customer steel mills operated in Australia and overseas, and the manufacture and distribution of a broad range of steel long products and the recycling of ferrous and non-ferrous scrap metal.

OneSteel manufactures and distributes a wide range of products, including structural rail, rod, bar, wire and pipe and tube products. OneSteel also distributes sheet and coil, piping systems, plate and aluminium products.

OneSteel's vertically integrated business model provides a number of advantages, including representation across the full value chain from resources and recycling to steel production, value-add rolling mills and distribution.

OneSteel is a miner and seller of iron ore with well-established customer relationships. OneSteel is self sufficient in iron ore and able to fulfil all internal ore requirements for steel production in addition to delivering the current run rate of 6 million tonnes in iron ore sales for external customers. OneSteel also has proven magnetite iron ore reserves until at least 2027.

OneSteel is also a major national player in the metals recycling sector with operations in the United States and Asia. OneSteel's recycling segment also provides a partial offset against price volatility in the scrap metal market.

OneSteel is the market leader in manufacturing Australian long steel products. The combination of OneSteel's blast furnace steel operation and three electric arc furnace steelmaking operations enable flexible production, and that was tested in the 2009 financial year when management wound down operating levels to bring inventory in line with lower market demand.

OneSteel is a leading metals distributor with a strong distribution network and is particularly well positioned in regional areas close to market. OneSteel holds top rankings in the Australian general steel distribution, reinforcing and wire markets as well as leading niche market positions in rail wheels, grinding media, mining ropes, rail and fluid transmission.

Excluding OneSteel's 2009 financial results which were impacted by depressed global market conditions. OneSteel has delivered solid improvements in key business metrics and cash generation since its public listing on the Australian Securities Exchange (ASX) in October 2000.

Response to the Global Financial Crisis

OneSteel responded quickly to the decline in market conditions with a number of "back to basics" initiatives focused on both the balance sheet and business operations to strengthen the company's position.

Management took a number of steps from the second quarter to strengthen the balance sheet, including increasing the focus on cash management, refinancing maturing debt early, actively managing debtor and inventory positions, lowering capital expenditure, and reducing dividends.

Production and operating levels at all of OneSteel's major facilities, including at Whyalla in South Australia and the major electric arc furnaces in Sydney and Laverton in Victoria, were significantly scaled back in an effort to lower inventory levels and bring production in line with reduced demand.

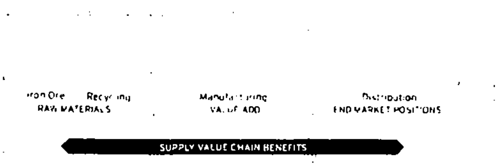
These activities led to a 25% reduction for the year in total raw steel production to 2 million tonnes, including 780 thousand tonnes at Sydney and Laverton and 1 million tonnes at Whyalla, with production at the Whyalla Steelworks down 13% compared to the previous year.

A capital raising announced in April, that included an institutional placement and an institutional and retail entitlement offer, resulted in $789 million of additional capital with the proceeds used to further strengthen the balance sheet including reducing gearing to a more conservative level.

Cost reduction efforts involved introducing tough expenditure policies and a company-wide labour cost reduction program. The total number of reductions to directly employed staff implemented or planned under the labour reduction program amount to approximately 1,240 by the end of December 2009.

These changes are expected to result in a decrease in the labour cost base of approximately $160 million per annum. A related redundancy charge of $57 million has been included in the 2009 financial statements with an additional charge of around $13 million expected in the 2010 financial year.

INTEGRATED BUSINESS CHAIN – VALUE CREATION MODEL



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OneSteel's "back to basics" program also included progressing the growth of our Iron Ore business and completing the final steps in the integration of the former Smorgon Steel businesses acquired in 2007.

Project Magnet Phase 2

As mentioned previously, OneSteel successfully increased our iron ore sales capacity to a run rate of 6 million tonnes per annum under Project Magnet Phase 2, a significant increase above the 4 million tonnes per annum capacity one year ago. The result was an important achievement as it was realised quickly and for very little cost and risk in a difficult market environment.

Smorgon Steel integration

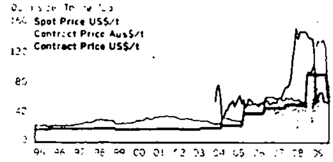
The final rationalisation work associated with the integration of the former Smorgon Steel business, acquired by OneSteel in 2007, was successfully completed with the closure of the Martin Bright facility last December and the Newcastle Bar Mill in February this year. OneSteel achieved its upgraded target of a net synergy benefits run rate of $100 million during the financial year.

Key business drivers

The information included in the charts to the right and on the following page, illustrates trends in some of the major drivers of OneSteel's business including key sectors of the Australian economy, domestic steel prices, prices of international steel and key inputs into steelmaking. The significant decline in price movements between the latter half of 2008 and mid 2009 is clearly evident in the charts on the following page and highlights the severity of the drop in global demand for steel and steel products during the financial year.

Key business drivers

FIGURE 1. Iron Ore Fines – Contract and Spot Prices (fob)
June 1995 to June 2009

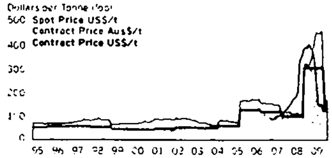


Iron ore prices

OneSteel has high-quality iron ore reserves in South Australia. In the 2009 financial year, OneSteel exported 5.1 million tonnes of hematite iron ore.

Figure 1 shows international movement in iron ore fines prices in both US and Australian dollars. The Japan contract Mt Newman fines prices dropped by 33% in April 2009 compared to the contract price for the period from April 2008 to March 2009. The contract iron ore prices dropped as the world demand for steel weakened.

FIGURE 2. Hard Coking Coal Prices (fob)
June 1995 to June 2009



Source: CRU

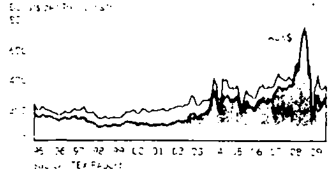
Coking coal prices

Figure 2 shows the international movement in contract coking coal prices in US and Australian dollars. OneSteel purchased approximately 0.8 million tonnes of coking coal in the 2009 financial year. Coking coal contract prices dropped by 57% in US dollar terms in April 2009.

OPERATIONAL OVERVIEW
(CONTINUED)

Key business drivers (continued)

FIGURE 3. Korean HM1 Scrap Prices (c&f)
June 1995 to June 2009

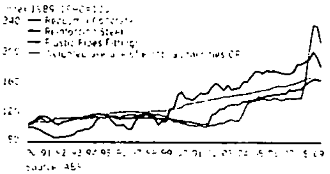


Scrap prices

Figure 3 shows an indicator of prices for scrap steel in US and Australian dollars. In FY09, OneSteel used approximately 1.3 million tonnes of scrap feed for its steel manufacturing operations in Whyalla, Sydney, Laverton and Waratah Steel Mills. OneSteel Recycling sold approximately 1.6 million tonnes of ferrous scrap both to internal as well as to external customers.

The Korean benchmark price for scrap in US dollar terms decreased by 56% in the period from July 2008 to June 2009.

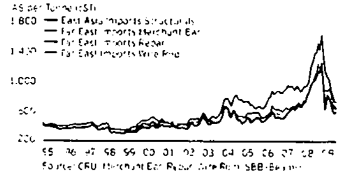
FIGURE 5. Prices for Steel Residential Construction Materials
June quarter 1990 to June quarter 2009



Prices for steel residential construction materials

Figure 5 represents the movement in prices of residential construction materials indexed to FY90 prices.

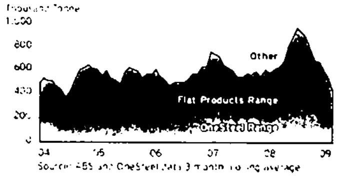
FIGURE 4. Long Products International Prices
June 1995 to June 2009



Long products international prices

Figure 4 highlights the international benchmark prices for Structural Beams, Merchant Bar, Reinforcing Bar and Wire Rod reaching peak levels in the first quarter of FY09. The key segments for these products are residential, non-residential and engineering construction. The benchmark prices towards the end of FY09 dropped to 2007 levels.

FIGURE 6. Steel Imports Into Australia
January 2004 to June 2009



Import volumes of steel into Australia

Import volumes of steel into Australia increased in the first half of FY09 but the levels dropped in the second half as illustrated in Figure 6. The drop in import levels resulted from overstocking and reduced demand in the construction segments.

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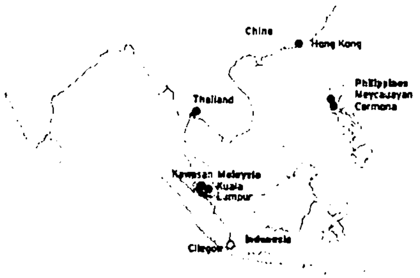
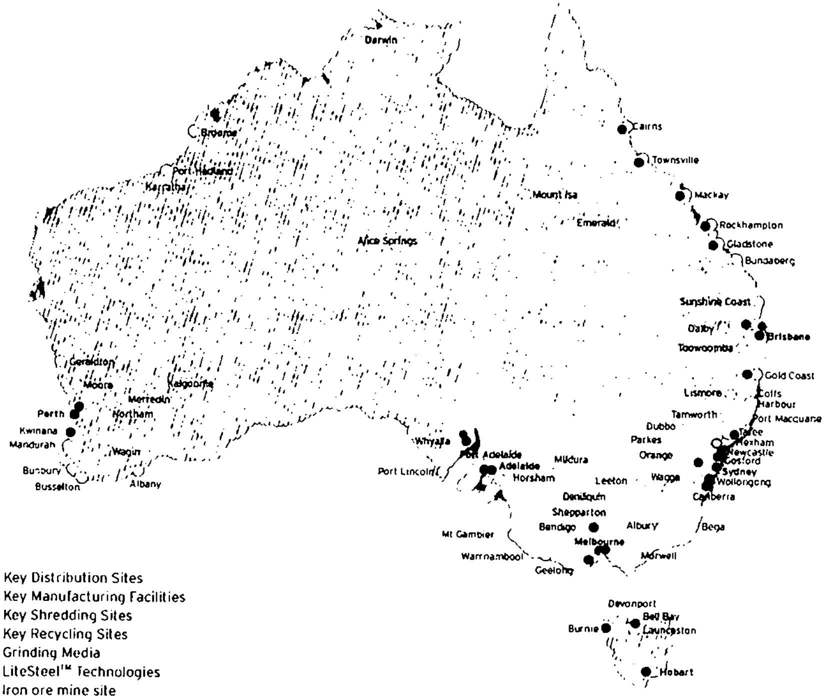
ONESTEEL'S OPERATIONS





Key Distribution Sites
- Key Manufacturing Facilities

Key Shredding Sites
- Key Recycling Sites
- Grinding Media

LiteSteel™ Technologies
- Iron ore mine site

OneSteel provides products and services to more than 30,000 customers around the world.

OneSteel's major manufacturing sites are located in Whyalla, South Australia, Melbourne, Victoria, Newcastle and Western Sydney, New South Wales and Brisbane, Queensland. Approximately 280 smaller manufacturing and distribution sites are located throughout regional Australia.

OneSteel also operates nearly 50 facilities overseas, with the majority of these including major manufacturing and recycling sites in New Zealand and Asia. An additional eight facilities in the United States include grinding media, LiteSteel™ Technologies and recycling operating activities.

SEGMENT SUMMARY

The 2009 financial year was marked by significant global economic volatility as markets reeled from the effects of the Global Financial Crisis (GFC). Despite a very strong start in the first quarter of the financial year, the remainder of the year reflected deteriorating domestic and international market conditions, evident in lower prices, higher unit costs, and tightening credit markets.

Iron Ore

As at 30 June	2009 $m	2008 $m	% change
Revenue/Income	560	561	–
EBITDA – Underlying	181	221	(18)
EBIT – Underlying	162	213	(24)
Sales Margin (EBIT) (%)	28.9	37.9	-9 pts
Assets	612	542	13
Funds Employed	548	462	19
Return on Funds Employed (%)	32.1	46.1	-14 pts
Employees (#)	212	152	40

Market conditions
The international iron ore market started strongly but was negatively impacted from September by the GFC. International demand weakened, spot prices fell sharply, and customers grew reluctant to meet contractual arrangements.

Performance
The iron ore supply chain from mines through to shipping continued to ramp up through the financial year and the business was successful in achieving its sales target with 5.1 million tonnes shipped. The supply chain is currently operating at the targeted run rate of 6 million tonnes per annum.

Initiatives
Work continues to identify and prove up increased iron ore reserves and resources, and to identify opportunities to further optimise the supply chain and increase sales capacity above 6 million tonnes per annum.

Outlook
Further market volatility is expected over the short to medium term. However, the increase in the level of iron ore demand from China, the recovery of steel production levels and the higher spot iron ore prices compared to the lows in 2008 is encouraging.

Recycling

As at 30 June	2009 $m	2008 $m	% change
Revenue/Income	1,124	1,404	(20)
EBITDA – Underlying	(22)	98	(122)
EBIT – Underlying	(39)	87	(145)
Sales Margin (EBIT) (%)	(3.4)	6.2	-9.6 pts
Assets	614	742	(17)
Funds Employed	538	621	(13)
Return on Funds Employed (%)	(6.7)	13.9	-20.6 pts
Employees (#)	1,016	1,127	(10)

Market conditions
The year was heavily impacted by the rapid price correction seen in the first quarter with the collapse of metals prices resulting in contraction in market supply and product demand. Market conditions improved slightly in the second half as demand, particularly from China, increased.

Performance
The collapse of global financial markets and the subsequent collapse in demand for ferrous and non-ferrous material triggered a correction in prices and volumes. The business took swift action in the first half, resetting its cost base, including taking an inventory writedown of $30 million resulting from a steep decline in prices for scrap, and incurred a $10 million cost relating to non-ferrous contract arrangements. These first half costs and lower volumes for the year impacted the full year result.

Initiatives
The focus of the business during the year has been to minimise the impacts of market volatility, preserve customer relationships, and position the business to take advantage of a recovery in scrap metal. Cost reduction steps have been a key focus.

Outlook
We expect the scrap market to remain volatile, but positive. Ferrous prices are reflecting new optimism and ongoing buying in China. Continued economic growth in China and an increasing emphasis on sustainability and reducing emissions is positive for the Recycling business.

Manufacturing

As at 30 June	2009 $m	2008 $m	% change
Revenue/Income	3,687	3,608	2
EBITDA – Underlying	281	324	(13)
EBIT – Underlying	161	198	(18)
Sales Margin (EBIT) (%)	4.4	5.5	-1.1 pts
Assets	3,862	3,973	(3)
Funds Employed	3,331	3,219	3.5
Return on Funds Employed (%)	4.9	6.1	-1.2 pts
Employees (#)	4,767	5,016	(5)

Market conditions
The year started strongly but changed dramatically in the second quarter due to the impact of the GFC. Following a volatile period of price increases for most steel products in the first quarter, market conditions reversed suddenly from November. Conditions continued to weaken in the third quarter and stabilised from the fourth quarter.

Performance
Lower segment earnings reflect margin improvement early in the financial year followed by a subsequent decline in volumes. Deteriorating economic conditions resulted in significantly reduced sales due to destocking through the channel, lower market demand and higher unit costs. Lower volumes resulted in reduced operating levels of the coke ovens, blast furnace, steelmaking, and rolling mill at Whyalla Steelworks. Reduced production adversely impacted the fixed conversion costs, driving up inventory values. At the Waratah Steel Mill, price fluctuations in scrap and alloys, electricity and steelmaking impacted operational costs. In Rod, Bar & Wire, volumes were significantly lower. The performance of the Australian Tube Mills business was largely influenced by the rapid price increases in Hot Rolled and Cold Rolled Coil early in the year as well as the significant decline in production and demand in the second half. LiteSteel™ Technologies was also affected by weaker demand, though there was some improvement with LiteSteel™ Beam in manufacturing and prefabricated building applications later in the year.

Outlook
The outlook remains uncertain but confidence in the domestic market is improving. Demand is starting to lift from both the completion of destocking in the channel and from underlying demand. The business is well placed to benefit from Government stimulus initiatives. There is continued focus on cost reduction initiatives. Pricing and margins are likely to remain volatile.

Australian Distribution

As at 30 June	2009 $m	2008 $m	% change
Revenue/Income	3,324	3,145	6
EBITDA – Underlying	218	180	21
EBIT – Underlying	185	146	26
Sales Margin (EBIT) (%)	5.5	4.6	0.9 pts
Assets	1,525	1,757	(13)
Funds Employed	1,176	1,228	(4)
Return on Funds Employed (%)	15.4	11.9	3.5 pts
Employees (#)	3,696	4,015	(8)

Market conditions
After a strong start to the financial year, conditions deteriorated significantly in the second half. Volumes were down with project delays and cancellations in the construction segment, and from reduced demand in the manufacturing segment. However, ongoing activity in the mining segment eased some of the impact.

Performance
Sales volumes and prices were strong for most of the first half, helping to lift the sales margin for the year. Slowing demand in the second half and destocking in the supply channel resulted in increased competition, lower prices and reduced margins. The Steel & Tube business performance varied significantly between the first and second halves. Reduced revenue and lower margins led to the resizing of the Sheet, Coil & Aluminium business during the year. Labour numbers and operating expenses were also adjusted in the Metaland business to manage the impact on margins. Margins also came under pressure in the Reinforcing business due to rising input costs and lower demand in the second half of the year. In the Piping Systems business, sales were higher due to the impact of price increases and project activity in the resources segment.

Outlook
The segment expects the 2010 financial year to continue to be volatile and challenging. Early indicators suggest some improvement in the second half of the year as market confidence improves and as demand increases from Government stimulus initiatives.

New Zealand Distribution

As at 30 June	2009 $m	2008 $m	% change
Revenue/Income	400	436	(8)
EBITDA – Underlying	43	39	10
EBIT – Underlying	37	34	10
Sales Margin (EBIT) (%)	9.3	7.8	1.5 pts
Assets	184	206	(11)
Funds Employed	154	174	(11)
Return on Funds Employed (%)	22.7	19.4	3.3 pts
Employees (#)	787	834	(6)

Market conditions
Volatility dominated the New Zealand market during the year. Residential building consents were at the levels last seen in the mid 1960s. Product shortages dominated the first half due to global demand, with suppliers implementing stock allocations. In the second half, demand softened, and commodity prices eased.

Performance
A strong first half performance helped the business report a slight increase in overall profit for the year. Pricing volatility of replaced inventory and supplier allocations brought higher sales and margins early in the year. In December, sales weakened, margins eased as prices declined, inventory levels rose and bad debts increased. The Manufacturing business was also impacted by these conditions, resulting in an overall reduction in sales revenue for the year. Ongoing commercial contracts and strong demand from infrastructure projects assisted the overall result. A concerted effort to reduce inventory levels was introduced in the second half.

Outlook
The New Zealand market is expected to remain volatile. However, steel prices are showing signs of improvement and volumes are stabilising. Construction projects associated with the Rugby World Cup will assist in the near term and infrastructure projects initiated by the Government are expected to assist volumes in 2010.

IRON ORE

Despite difficult market conditions during the year, as a result of the Global Financial Crisis, the Iron Ore business was successful in achieving its increased sales target of 5 million tonnes of hematite iron ore

MARK PARRY
/ Chief Executive Whyalla

GREG WATERS
/ Chief Executive Recycling

The Iron Ore segment supplies iron ore to OneSteel's integrated Whyalla Steelworks and is sourced from OneSteel's open-cut mines located in the Middleback Ranges, approximately 60 kilometres from Whyalla, South Australia. As a result of Project Magnet, the commercialisation of OneSteel's magnetite ore reserves for producing steel and the sale of hematite ore, Whyalla Steelworks uses magnetite iron ore feed for manufacturing steel while hematite iron ore is sold to global markets.

The Iron Ore segment revenue in the 2009 financial year was flat at $560 million, reflecting an increase in sales volumes to 5.1 million tonnes compared to 4.4 million tonnes in the prior year, but higher volumes were offset by lower prices for iron ore during the year.

In the period from July to December 2008, demand eased as the global economic environment deteriorated. Shipments made throughout the year were a combination of sales to long-term contracted customers and sales made on the spot market. Spot prices for iron ore fell sharply as a result of depressed global economic conditions, as did the premium for lump iron ore. The difficult environment resulted in the deferral of a number of contract sales.

Earnings for the Iron Ore segment were lower compared to the prior year due to lower prices and not receiving the full benefit of the lower Australian dollar against the US dollar.

Despite the weaker market conditions, the Iron Ore segment was successful in meeting its increased sales target for the year with 5.1 million tonnes, and credits the strength of its offshore relationships for enabling the placement of its iron ore volumes.

The iron ore supply chain, which includes mining through to shipping, continued to ramp up, enabling the business to exceed its 5 million tonnes target as part of Project Magnet Phase 2. This represents a significant increase in capacity from just over 4 million tonnes a year ago. Operations are currently at a run rate of 6 million tonnes per annum.

Under Project Magnet Phase 2, the increase in iron ore volumes was achieved quickly and at very little cost and risk to the business. All additional rail equipment including wagons, locomotives and labour are now fully operational. Additional crushing and screening equipment is also in place. Further work is continuing on investigating the possibility of increasing external iron ore sales capacity through optimising the Whyalla infrastructure with minimal capital investment. The company is also progressing its program for adding to its iron ore reserves and resources. It is expected that mine extension drilling and exploration work will further add to our current reserves and resources in the short term.

Improved operational performance of the magnetite concentrator allowed for the sale of 140 thousand tonnes of pellet to external customers in the year.

Looking ahead for the Iron Ore segment, further market volatility is expected over the short to medium term. However, the recent increase in the level of steel production in China and the improvement in spot iron ore prices are encouraging.

Iron Ore

	FY09 $m	FY08 $m
Revenue	560	561
EBITDA – Underlying	181	221
EBIT – Underlying	162	213
Sales Margin (EBIT) (%)	28.9	37.9
Assets	612	542
Funds Employed	548	462
Return on Funds Employed (%)	32.1	46.1
Employees (#)	212	152

The Iron Ore and the Recycling segments have replaced the former Materials segment in the 2009 financial year reporting as the revised framework better reflects the simplified organisational structure announced in early 2009 and provides greater transparency of OneSteel's material businesses.

Exploration is continuing at OneSteel's South Middleback Ranges mine site, with the aim of increasing iron ore reserves as part of Project Magnet Phase 2.

PUBLIC FILE 320

RECYCLING

Market supply and demand contracted significantly following the collapse of steel and commodity prices early in the year. Management moved quickly to reset the cost base.

GREG WATERS
/ Chief Executive Recycling

OneSteel's Recycling segment operates in 13 countries through a combination of physical operations and trading offices that supply raw materials to foundries, smelters and steel mills in Australia and around the globe.

The Recycling segment also sells raw materials to OneSteel's Manufacturing segment. All sales between OneSteel's businesses are conducted on terms and conditions equivalent to those negotiated with external parties.

In the Recycling segment, sales revenue for the year was $1,124 million, down 20% from $1,404 million in the prior year. The result is a reflection of the impact of a significant and rapid price correction triggered by the deterioration of global financial markets and subsequent collapse in demand for both ferrous and non-ferrous recycled metal in the first half of the financial year.

As a result of the impacts of a significant decline in global markets, the Recycling segment took swift action in the first half of the financial year and reset its cost base, including taking an inventory writedown of $30 million and a $10 million cost relating to non-ferrous contract renegotiations.

Demand and pricing remained volatile in the second half of the year, although market conditions improved toward the end of financial year. The business introduced a number of cash management and cost reduction initiatives early in the calendar year and recorded a breakeven result at the EBIT line for the second half, despite lower prices and supply stemming from the slowdown in industrial and construction activity.

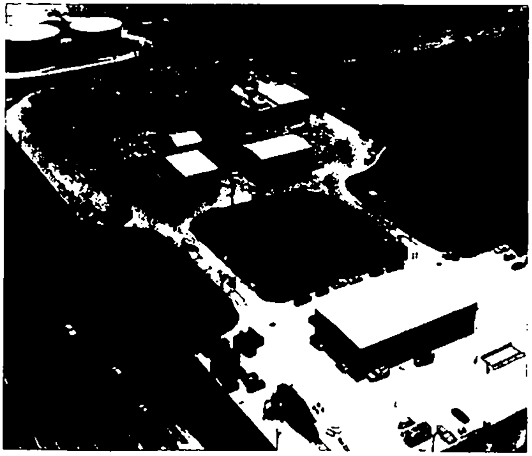
The Recycling segment has focused much of its efforts during the year on minimising the impacts of the deteriorating global environment to its business and working closely with its customers to preserve relationships and limit the negative effects of the rapidly changing economic conditions where possible.

The business is now well positioned to take advantage of recovery in the scrap metal market. In the near term, the Recycling segment expects the scrap metal market to remain volatile, although positive.

Over the longer term, the Recycling segment anticipates a positive return to sustainable growth. Continued economic growth in China and an escalating emphasis on emissions and sustainability bodes well for business.

Recycling

	FY09 $m	FY08 $m
Revenue	1,124	1,404
EBITDA – Underlying	(22)	98
EBIT – Underlying	(39)	87
Sales Margin (EBIT) (%)	(3.4)	6.2
Assets	614	742
Funds Employed	538	621
Return on Funds Employed (%)	(6.7)	13.9
Employees (#)	1,016	1,127



The Recycling operations in Tampa, Florida USA is divided by wetlands. The non-ferrous processing is in the foreground and the ferrous shredder is at the rear of the site.

PUBLIC FILE 319

MANUFACTURING

A strong start to the financial year reversed dramatically as global conditions deteriorated and demand eased, resulting in reduced sales and adjustments to production levels

OneSteel's Manufacturing business combines the activities of steel production and the product mills. The Whyalla Steelworks produces billet as feedstock for OneSteel's Market Mills operations along with rail products, structural steel and slab for sale to external customers. The Sydney and Laverton steel mills produce billets and rod and bar finished products for the manufacturing, construction and mining sectors. The Waratah Steel Mill produces billet and ingot for the manufacture of specialty steel products servicing the mining and rail industries.

Revenue in the Manufacturing segment increased to $3,687 million compared to $3,608 million in the 2008 year.

Sales volumes were strong in the first quarter but fell away sharply from November and remained weak over the balance of the financial year. Prices also deteriorated in the second half. Significant channel destocking and reduced underlying demand from the manufacturing sector as well as the construction and resources markets were major drivers of the lower sales volumes.

Production was running at or near record levels to meet very strong demand for the majority of the first half, but was reduced dramatically over the remainder of the year to address weaker conditions and to reduce high inventory levels and bring production back in line with demand.

Whyalla Steelworks

Whyalla Steelworks is located in Whyalla, South Australia and approximately 400 kilometres north-west of Adelaide. It is an integrated steelworks typically producing approximately 1.2 million tonnes of steel per annum from iron ore sourced from OneSteel's mines in the region.

Following a strong first half in the 2009 financial year, the domestic structural market was adversely impacted by much lower demand from December as customers sought to reduce inventories. Demand for slab also weakened in line with international economic conditions. However, rail and sleepers sales remained quite strong throughout the year.

Operating levels were reduced in the second half of the year to help align overall production to market demand. Steelmake totalled 1.0 million tonnes for the year. A number of cost reduction activities were introduced in the second half in response to weaker demand. Employee numbers reduced through a combination of natural attrition and voluntary separation.

Waratah Steel Mill

Waratah Steel Mill is a ferrous scrap-based producer of steel products operating in Newcastle, New South Wales. It is a leading domestic supplier for the rail transport and mining sectors. Annual crude production capacity exceeds 300 thousand tonnes. The steel mill processes ferrous scrap metal through the Electric Arc Furnace (EAF), converting the steel into a wide range of products including grinding media, rail wheels and axles, bar products, ingots and forged products.

Grinding Media

Grinding Media is used in minerals grinding and milling processes and is manufactured in Australia, Indonesia and the United States.

Sales volumes for grinding media in the Australasian region remained steady during the 2009 financial year despite the significant downturn in base metal prices. Lower domestic volumes, a result of mine closures, were offset by export opportunities.

Rail and Forge

The Rail and Forge business operates from the Waratah Steel Mill in Newcastle, NSW. Key customers for these products are Australian railway companies or local wagon and bogey manufacturers. Domestic sales account for the majority of the rail and forge business. Export sales to regions, including South Africa and South East Asia, account for approximately 15% to 20% of total rail wheel sales.

The outlook for rail wheels and the forged businesses remain steady but the downturn in steel production in Australia, Japan and Korea has softened the outlook for chrome rolls. Rail wheels sales in Australia are expected to remain solid; however, exchange rate movements and weaker demand from Europe and the United States is expected to continue to influence export markets.

Rod and Bar

Rod and Bar services diverse market segments with merchant bar, reinforcing bar, and rod products from facilities in Sydney and Newcastle, NSW and Laverton, VIC. The EAF and billet casting facilities at Laverton and Sydney Steel Mills can together produce approximately 1.3 million tonnes per annum with an additional 670 thousand tonnes of billet supplied from Whyalla Steelworks. Billets are rolled into a wide range of selected rod and bar products

Manufacturing

	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m
Revenue	3,687	3,608	2,156	1,560	1,548
EBITDA – Underlying	281	324	216	159	145
EBIT – Underlying	161	198	158	103	84
Sales Margin (EBIT) (%)	4.4	5.5	7.3	6.6	5.4
Assets	3,862	3,973	1,930	1,604	1,419
Funds Employed	3,331	3,219	1,518	1,268	1,075
Return on Funds Employed (%)	4.9	6.1	11.4	8.8	7.9
Employees (#)	4,767	5,016	3,346	3,106	2,949
External Tonnes Despatched (mt)	1.35	1.78	0.98	0.99	0.90
Internal Tonnes Despatched (mt)	0.96	1.27	0.68	0.63	0.63
Steel Tonnes Produced (mt)	2.03	2.70	1.73	1.63	1.35

PUBLIC FILE 318

MARK PARRY / Chief Executive Whyalla

ANDREW ROBERTS / Chief Executive Market Mills

for supply to OneSteel's downstream businesses and to external domestic and export customers primarily in the construction, rural, manufacturing, rail and mining sectors.

The Global Financial Crisis (GFC) that dominated the 2009 financial year resulted in a sharp and significant reduction in demand. Residential construction was weak throughout the year. Non-residential construction was severely impacted due to tight funding that resulted in projects being put on hold, deferred or cancelled indefinitely. Engineering construction was particularly strong in the first half of the financial year as projects under construction continued. Demand for mining consumables was resilient despite the economic downturn, due to the investment in mine production capacity over the past three years.

The 2009 financial year saw the closures of the Newcastle Bar Mill in NSW and OneSteel Martin Bright in Victoria as part of OneSteel's rationalisation of bar facilities and products following the acquisition of Smorgon Steel in 2007.

Wire

The Wire business consists of wiremills in Newcastle and Jindera, NSW and Geelong, VIC along with a ropery in Newcastle, NSW. The Wire business predominantly services the rural fencing markets (through its Waratah and Cyclone brands) as well as domestic reinforcing and manufacturing segments. OneSteel Wire Ropes specialises in the manufacture and supply of heavy mining rope.

2009 saw pressure on market volumes in both the rural and manufacturing markets as a result of the GFC. Despite difficult circumstances, the Wire business saw good progress in the development of the Cyclone rural products business and continued strengthening of its position as a premium supplier of heavy mining ropes.

Australian Tube Mills

The Australian Tube Mills (ATM) business manufactures structural pipe and tube from manufacturing facilities at Acacia Ridge, in Queensland, Newcastle, NSW, and Somerton, VIC. The BTM business manufactures precision tube at manufacturing facilities in Sunshine, Victoria and Kwinana in Western Australia. Key market sectors for the ATM products include construction, manufacturing and agriculture while precision tube is supplied to the Australian manufacturing, automotive, fencing and home improvement segments.

The first four months of the 2009 financial year saw very strong market demand driven by solid construction and manufacturing activity, building of market channel inventories and tight international supply. The following six months saw a substantial deterioration in market conditions as business confidence declined, projects were postponed or cancelled and customers sought to significantly reduce inventory levels in an environment of volatile pricing and tight credit conditions.

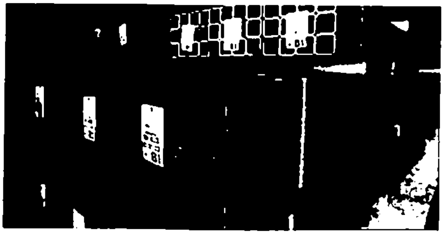
The operational performance of the business was influenced substantially by the rapid increases in the cost of its key raw material of Hot Rolled and Cold Rolled Coil during 2008. During the 2009 financial year, closure of the precision tube manufacturing facility at Kembla Grange, NSW was announced. The closure creates opportunity to consolidate manufacturing between Sunshine, VIC and Kwinana, WA.

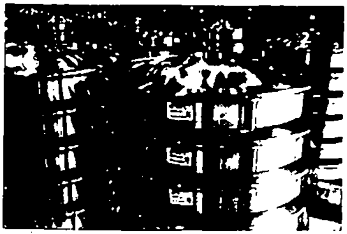
LiteSteel™ Technologies

LiteSteel™ Technologies sells and markets LiteSteel™ beams primarily in Australia and the United States with some potential development in the Japanese market. LiteSteel™ beams are a unique cold-formed, dual-welded range of steel sections geared to domestic and light commercial construction. A manufacturing operation is based in Troutville, Virginia where the key markets are domestic and commercial construction. The Australian market for domestic construction has been relatively flat. The primary driver for LiteSteel™ sales success continues to be the rate of penetration against substitutes such as engineered timber.

During 2009, LiteSteel™ Beam enjoyed increasing success in the Australian market in portable building applications. In the United States, the weak housing market significantly impacted domestic construction that resulted in an overhang in inventory levels for domestic construction materials.

The business, through its relationship with Maruichi Steel Tube Ltd, continues to work on developing entry into the Japanese market.





(Left) Australian Tube Mill products bring new possibilities via the innovative use of cold formed sections in the construction, residential, manufacturing and rural sectors.
(Right) OneSteel Rail and Forge is a world leader in heavy haul wheels as a result of quality control and flexible design.

PUBLIC FILE 317

AUSTRALIAN DISTRIBUTION

Business performance varied across the segment as project delays and cancellations reduced demand mainly in the construction sector. Strong sales early in the year, solid activity in the mining sector, and cost reductions underpinned the full year result.

OneSteel's Australian Distribution business serves the construction, manufacturing and resources markets with a diverse range of steel and metal products including structural steel sections, steel plate, angles, channels, flat sheet, reinforcing steel and coil in carbon and stainless, and a range of aluminium products, pipe fittings and valves. The business distributes products sourced from OneSteel as well as externally purchased products. The Reinforcing and Piping System businesses have significant metals processing capabilities as well as national distribution.

Revenue in the Australian Distribution segment increased 6% to $3,324 million for the year ended 30 June 2009, principally due to a strong start in the first six months with higher prices and margins. Sales volumes declined sharply from December and were down 18% to 1.4 million tonnes for the year due to weaker underlying demand, destocking by customers and the deferral of projects and purchases associated with those projects. The higher prices achieved in the first half of the year deteriorated steadily early in the second half and declined sharply towards the end of the financial year due to the rapid appreciation of the Australian dollar.

The Australian Distribution segment performance benefited from two one-off asset sales including a small parcel of land and a trademark that generated a combined profit of $24 million. Cost reduction initiatives and a strong market early in the year, combined with the profit from those assets sales, partly offset lower sales volumes and resulted in a slightly higher sales margin of 5.5% compared to 4.6% for the prior year.

Steel and Tube

The Steel & Tube business provides a range of products and services to customers across a variety of segments such as non-residential construction, infrastructure, engineering, automotive and manufacturing. Steel & Tube has a national sales and warehousing footprint that extends throughout Australia and has the processing and delivery capabilities to provide market-leading service and products to a variety of markets and sectors. Key to this significant offering is access to a broad range of Australian made products such as structural steel, merchant bar, tubular sections and steel plate.

After a strong start to the 2009 financial year, market conditions progressively deteriorated from December as the backlash of the Global Financial Crisis hit key sectors such as non-residential construction. Although there was some cushioning to this impact through sustained activity in the mining segment, the effect on other manufacturing segments such as automotive was significant and had an immediate consequence. Performance during each half of the year varied significantly as the business adjusted to the changing environment. Performance in the first half of the year was solid and the business was able to meet strong demand with improved margins. In the second half of the year, slowing demand and destocking impacted volumes, resulting in increased competition that affected margins. Operating costs were adjusted appropriately during this period and working capital targets were realigned to match market demand.

Good safety results across a number of facilities marked a strong cultural change in the business. Delivery performance also improved as the business implemented a national demand planning and review process.

Sheet, Coil and Aluminium

The Sheet, Coil & Aluminium business is a processor and distributor of sheet and coil carbon steel, aluminium and stainless steel. Our product is sourced from major manufacturers and used to service customers in the construction and manufacturing sectors. Major markets include non-residential construction, steel building sections and transport equipment.

Following prices peaking in November 2008, demand eased significantly as the industry destocked. Competition was fierce as distributors protected key customers and sought additional volume in a declining market.

Sales revenue fell due to both lower volumes and selling prices. Steel pricing weakened across all three metals, resulting in depressed margins. Declining volumes triggered a resizing of the business in the second half in order to lower the cost base. Looking ahead, we anticipate further improvements in the core carbon business whilst selectively growing the aluminium and stainless businesses. Margin improvement will remain a key focus area.

Australian Distribution

	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m
Revenue	3,324	3,145	2,393	2,351	2,280
EBITDA – Underlying	218	180	202	211	204
EBIT – Underlying	185	146	173	181	175
Sales Margin (EBIT) (%)	5.5	4.6	7.2	7.7	7.7
Assets	1,525	1,757	1,207	1,266	1,359
Funds Employed	1,176	1,228	847	940	977
Return on Funds Employed (%)	15.4	11.9	19.4	18.9	17.9
Employees (#)	3,696	4,015	2,946	3,290	3,442
External Tonnes Despatched (mt)	1.41	1.73	1.30	1.28	1.37

STEVE HAMER / Chief Executive Distribution

Metaland

Metaland consists of nearly 70 regional and smaller metro store locations across Australia and is complemented by an extensive franchise network. Metaland offers a wide range of products and services to customers in a diverse range of segments including fabrication, building, manufacturing, mining and agriculture.

After a strong start to the financial year, the impact of the Global Financial Crisis was felt across all of Metaland's key markets but particularly fabrication, manufacturing and building as demand slowed markedly with the cancellation or postponement of a number of key projects.

Sales and margin growth achieved in the first six months of the year progressively declined as the financial environment deteriorated. Financial results for the first six months ended December 2008 were strong on the back of higher selling prices and volume growth. The subsequent downturn from the start of the calendar year and destocking across all key product categories detrimentally impacted margins and volumes over the remainder of the year. Labour numbers and operating expenses were subsequently adjusted to reflect the changes in the market environment.

In the coming year, Metaland will continue to focus on expansion through greenfield sites and acquisitions along with a number of planned upgrades at some existing sites.

Reinforcing

Reinforcing steel is used for concrete reinforcement, mining strata control, agricultural and industrial mesh products and reinforcing steel fibres. It is supplied to large and small builders, concreters, form-workers, pre-casters and mining companies. OneSteel has two separate and competing reinforcing businesses in the domestic market. OneSteel Reinforcing offers a range of innovative reinforcing solutions and the Australian Reinforcing Company (ARC) is renowned for its strong customer relationships and flexible service offer.

After several years of growth, the rebar and reo mesh markets declined significantly during the year as a result of a sharp decline in commencements for the residential and non-residential construction projects. Engineering construction activity had a more modest decline in demand with substantial infrastructure work planned. Imports remained strong early in the year but eased later in line with the overall market decline.

Reinforcing sales volumes were weaker than the previous year and margins came under increasing pressure with price increases due to rising input costs and demand pressures reversing in the later part of the year.

ARC rolled out an important rebranding project after its name change from Smorgon Reinforcing. OneSteel Reinforcing (OSR) has continued with its position as a leading reinforcing solutions business, introducing a number of construction solution developments in the year.

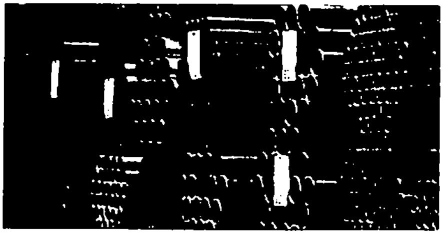
Piping Systems

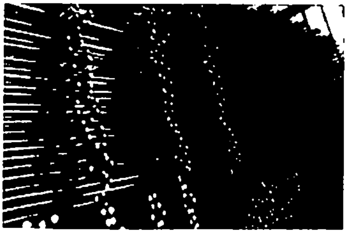
OneSteel's Piping Systems business is one of Australia's leading providers of pipe, valves and fittings in the energy, resources, manufacturing and construction markets. Piping Systems partners with oil and gas and mining minerals processing customers to deliver pipeline infrastructure projects and customised solutions from a superior range of piping systems products and national service capability. Piping Systems also serves the building construction industry through its OneSteel Building Services business, which is a specialist trade supplier to customers in the fire protection and mechanical services markets.

Unprecedented volatility in the global steel market led to significant price increases during the first six months of the financial year. Growth continued to be linked to the resources sector, particularly oil and gas and mining and minerals processing customers. Sales volumes in these markets were particularly strong in the six months to December 2008 due to projects in Western Australia and Queensland.

The launch of a new approach to market strategy during the year expanded the presence of the Piping Systems business in Queensland and New South Wales and continued to refine its market plans to the resources sector.

During the year, the division reorganised to include the Oil & Gas Pipe manufacturing facility in Wollongong, NSW to improve its market offer for gas and slurry pipeline projects and Building Services launched a new roll grooved product range offer to the mechanical and fire protection industries.





(Left) Steel and Tube black and galvanised Circular Hollow Sections (CHS) commonly used in fencing, facades and outdoor areas such as Covered Outdoor Learning Areas designed specifically for the Australian Government's Building Education Revolution (BER).

(Right) OneSteel provides a full range of reinforcing products for the construction industy, including mesh primarily used for concrete slabs.

PUBLIC FILE 315

NEW ZEALAND DISTRIBUTION

A strong performance in the first half of the financial year helped the business to report a slight increase in overall profit for the year

OneSteel's New Zealand Distribution segment comprises a 50.3% shareholding in Steel & Tube Holdings Limited, a public listed company in New Zealand, that processes and distributes a comprehensive range of steel and allied products to the New Zealand construction, manufacturing and rural industries.

Revenue for the New Zealand Distribution segment decreased 8% for the year to $400 million, down from $436 million in the prior year due to lower sales volumes, reflecting subdued market conditions.

Volatility dominated the New Zealand market during the year. Residential building consents were at levels last seen in the mid 1960s. Product shortages also dominated the first half of the financial year due to record high global demand and suppliers implementing stock allocations.

Towards the end of the 2008 calendar year, sales weakened, margins eased as prices declined, inventory levels rose and there was an increase in bad debts. However, ongoing commercial contracts and strong demand from infrastructure projects assisted the overall financial result for first six months to 31 December 2008.

During the second half of the financial year, a concerted effort to preserve profitability led to the introduction of a number of cost cutting initiatives including freezing management salaries and directors' fees, reviewing employee allocations and recruitment, reducing working capital usage and lowering capital expenditure and reducing inventory levels as well as the introduction of targeted product growth programs.

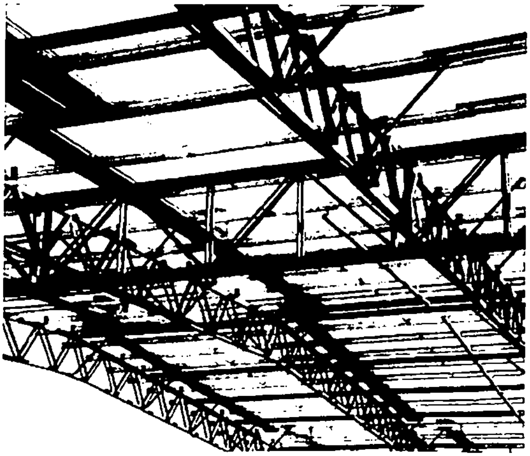
New Zealand Distribution earnings increased 10% to $37 million for the year. A strong performance in the first half helped the business to report a slight increase in overall profit for the year. Pricing volatility of replaced inventory and supplier allocations brought higher sales and margins early in the year. The sales margin improved 1.5 percentage points to 9.3% for the year.

Looking ahead, Steel & Tube Holdings Limited has indicated that the New Zealand market is expected to remain volatile. Steel prices are showing signs of improvement and volumes are stabilising but currency remains high.

There is considerable uncertainty as to when the New Zealand economy will emerge from recession. Unemployment continues to rise and commodity prices have weakened, while inflation has reduced, house prices have fallen and interest rates are near historic lows. The New Zealand economy has been in a recessionary state since early 2008 and this has continued throughout the 2009 calendar year.

Steel & Tube Holdings Limited anticipates exporters will continue to struggle until the New Zealand dollar drops back to the lows seen late in 2008. Lower demand for imports from trading partners flowing from global financial market turmoil will also impact adversely on the exporting sector.

The company expects construction projects associated with the Rugby World Cup will help to sustain commercial construction in the immediate future but there is a noticeable drop-off in the number of square metres of new construction projects approved. There is an expectation that infrastructure projects, initiated by the Government, will assist volumes later in 2010 and beyond.



New Zealand Distribution

	FY09 $m	FY08 $m	FY07 $m	FY06 $m	FY05 $m
Revenue	400	436	405	390	403
EBITDA – Underlying	43	39	46	49	61
EBIT – Underlying	37	34	41	44	56
Sales Margin (EBIT) (%)	9.3	7.8	10.0	11.2	13.9
Assets	184	206	220	175	193
Funds Employed	154	174	119	106	117
Return on Funds Employed(%)	22.7	19.4	36.0	39.1	50.0
Employees (#)	787	834	881	907	804

Steel & Tube in New Zealand supplied structural steel and purlins for the construction of the new Lion Nathan brewery buildings in South Auckland, and Multispan and STC 900 Colorsteel® roof and wall cladding profiles.

CUSTOMERS

OneSteel recognises that our customers are the key to our success and we are committed to meeting our promise to customers

OneSteel's mission is to deliver superior and sustainable returns through leading market positions in the construction, resources and industrial markets through its people, operating and distribution capabilities.

Underpinning the company's mission are two core values, Safety and Customers. OneSteel recognises that our customers are the key to our success and we are committed to meeting that promise to customers. Delivering on our promise to customers is dependent on success in:

- Identifying our customers' needs to present a value proposition that delivers superior value for customers
- Having reliable and capable operations to support our market offer, and
- Transforming our supply chain to deliver our promise in the most efficient manner.

Customer and Market Insight

Customer and market insight is focused on developing a deep understanding of customers' needs and market opportunities. The result is the development and delivery of value propositions that provide increased value to both our customers and the company. An example of our work in this area enabled OneSteel to supply transmission towers for a project which in previous years would have likely been supplied by an offshore supplier.

Mine transmission towers

A notable mining customer engaged OneSteel's Steel & Tube business to deliver nearly 450 high voltage towers for a transmission line project. The towers were supplied in broken down kit form for assembly on site. OneSteel's internal design capabilities were used to specify high strength, lightweight DuraGal® angles, driving down the overall tonnes required, cost of transportation and using less cement in the foundation slab. OneSteel was also able to leverage the benefit of being a local supplier to competitively price the customer for the project, creating value for the customer and for OneSteel.

Operations Excellence

Operations excellence at OneSteel means that we are creating reliable, capable, internationally competitive processes that support the delivery of our promise to customers. Over the course of the 2009 financial year, we have seen numerous examples of Six Sigma and Lean Manufacturing creating value for both our customers and OneSteel. Below is an example of how this has occurred:

Rod surface quality improvements for bridge strand

In the mining industry, pendant ropes are used under heavy service loads requiring high standard surface quality. OneSteel initiated Six Sigma projects to understand the critical factors behind rope failures and reduce the reject rates through OneSteel's rod and wire mills. A number of changes were implemented to improve the quality of pendant ropes, resulting in the supply of consistent quality pendants to OneSteel's mining customers and no unplanned machine shutdowns due to premature pendant life. OneSteel has reduced internal reject rates, improved delivery performance and secured our market position as a quality supplier of pendant ropes.

ONESTEEL STRATEGIC THEMES

Customer and Market insight

Supply Chain Transformation

Operational Excellence

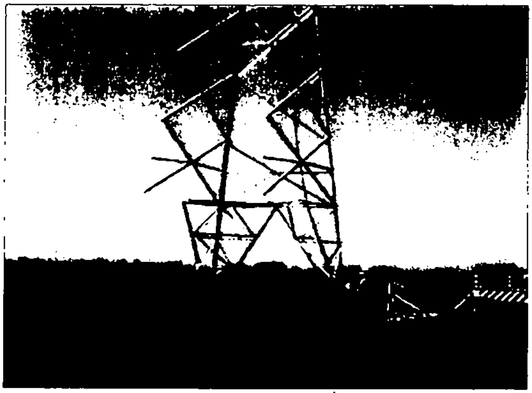
OneSteel Mission

Delivering superior and sustainable returns through leading market positions in the construction, recycling, resources and industrial markets.

OneSteel Core Values

SAFETY

CUSTOMERS



OneSteel Steel and Tube supplied structural steel including Duragal® angles to the Electricity Trust of South Australia (ETSA) owned transmission towers.

Supply Chain

OneSteel's supply chain focus is on ensuring we deliver on our market offer and customer promise while also reducing costs and improving efficiency. We are implementing supply chain practices that use customer demand to drive manufacturing output and inventory stock holdings. The example below demonstrates how supply chain principles are implemented at both a local and organisational level to improve our customer delivery performance.

OneSteel's new transport planning hubs

New transport planning hubs were introduced during the year to significantly improve OneSteel's road and rail transport resources. The transport planning hubs will enable OneSteel to improve overall contract management, performance and reliability of carriers, and improved delivery performance for all orders to all of OneSteel's customers.

PUBLIC FILE 313

HUMAN RESOURCES

OneSteel continues to employ a range of strategies to further build the capability of the workforce and ensure high performance

OneSteel recognises that a highly capable and engaged workforce is necessary to achieve both superior business outcomes and long-term organisational growth.

OneSteel continues to employ a range of strategies as part of its People and Capability Plan to further build the capability and engagement of the workforce, and to ensure that the right organisational design and processes are in place to facilitate high performance.

Business improvement initiatives

Over the past 12 months, the OneSteel Human Resources team has played a key role in facilitating significant business change. This has included the implementation of a simpler and leaner organisational structure throughout the business, with clear accountabilities for OneSteel's key leaders. This restructure commenced at the highest level with initial changes to the Managing Director and CEO's direct reports in February 2009. As a result of those changes, restructuring cascaded through the organisation, delivering both cost reductions and improved vertical and horizontal alignment of roles and responsibilities.

As customer demand eased significantly late in the first half of the financial year, the Human Resources team played an important role in managing significant reductions in labour cost. This was achieved through a range of strategies including leave management, changes to operating and shift arrangements, reducing overtime and contractor hours and introducing flexible working arrangements such as four-day weeks. The support of our employees in accommodating the needs of the business in a volatile economic environment has been critical to weathering this challenging period.

Over the final few months of the year, more than 600 permanent employees have left the business through a combination of natural attrition and voluntary or involuntary redundancy. Restructuring has required redesigning some processes and roles and responsibilities to enable the delivery of required outcomes with fewer employees. The changes have made a substantial difference to OneSteel's fixed cost base.

The OneSteel Human Resources team has also supported the change management around a number of other significant business initiatives including the redesign and streamlining of the functional support areas and extending Six Sigma and Lean Management within the business.

Engagement and performance

Given the volatile economic environment during the year, it has been particularly important to ensure employees understand the business context and have clarity regarding specific roles in meeting the business challenges. OneSteel's performance, planning and management process continues to ensure that all staff understand the business priorities, have clear performance objectives and receive regular feedback and support. Additionally, alignment of objectives and responsibilities to overall business objectives aims to further extract value from OneSteel's vertical integration.

In April, a decision was made to cancel both the 2009 staff salary review and short-term incentive payments for the 2009 financial year. This decision was made in the context of the declining external labour market where OneSteel's remuneration arrangements remain competitive and aligned to performance outcomes.

The employee share plan continued to have a high level of participation during 2009; however, the plan has been suspended pending the Government's proposed changes to taxation arrangements for equity schemes.

Attraction, development and retention

At 30 June 2009, OneSteel employed around 11,000 employees. The majority of these are full-time employees, 90% of whom are based in Australia. Employees based overseas are predominantly in New Zealand, USA and Asia.

OneSteel is an equal opportunity employer where diversity is valued and actively sought. Recently, policy provisions have been extended to allow greater access to flexible work arrangements including part-time and job share. OneSteel also offers a range of competitive leave arrangements including paid maternity and paternity leave for most employees. These conditions assist us in attracting and retaining valued employees.

Workers Compensation Outstanding Claims Provision

	2009[2] \$m	2008[1] \$m	2007 \$m	2006 \$m	2005 \$m
New South Wales	20.1	21.6	12.4	14.8	17.2
Queensland	2.3	2.7	0.5	0.7	1.5
Victoria	2.4	3.7	2.5	3.0	2.5
South Australia	4.4	2.8	2.5	2.5	3.0
Western Australia	1.0	0.5	0.5	0.6	0.7
Total	30.2	31.3	18.4	21.6	24.9

1 Increased liabilities associated with the Smorgon Steel merger.
2 Excludes management estimate of impact arising as a result of significant business restructuring.

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OneSteel has continued to invest in the development of skills for the future with over 50 apprentices and more than 60 cadets and graduates being recruited across the business during the 2009 financial year. Due to the business conditions in the second half of the year, recruitment for the graduate intake for 2010 was significantly scaled back with a smaller number of graduates selected for roles.

Development continues to be a significant focus for business leaders and the Human Resources team. Development opportunities exist for leaders across the business to extend their capability in responding to a rapidly changing environment. A new safety leadership program has been developed and launched to further increase the engagement skills of front-line leaders. Coaching programs, targeted development interventions and formal development continue to be used to build the capability of our future leaders.

Michelle Mathwin, Quality and Systems Coordinator, Australian Tube Mills (ATM), Newcastle, New South Wales.

Organisational effectiveness and capability

Over the last 12 months, OneSteel implemented and completed a significant organisational effectiveness program to redesign and streamline the functional support areas such as Commercial, Sourcing/ Procurement, Information Systems and the Human Resources function itself. This program has delivered cost savings of approximately 20% across all functional areas and has improved the clarity of decision rights and service levels.

Leaders at OneSteel continue to focus on ensuring high calibre successors are available for leadership roles in the future. Over the past 12 months, approximately 70% of senior roles have been filled through internal succession, with capability also extended through some targeted external hires. A process for assessing the capability of future leaders and implementing tailored development plans has also been introduced.

With the majority of non-staff employees covered by collective agreements, OneSteel continues to effectively manage employee relations to facilitate ongoing productivity improvement and to ensure constructive workplace relationships. OneSteel effectively prepared for the introduction of the Fair Work Bill and is continuing to effectively navigate the new legislative environment.

Workers compensation

The total liabilities for outstanding workers compensation claims reduced by $1.1 million and the number of claims received and outstanding also dropped over the year. The significant improvement is attributable to OneSteel's continued focus on safety performance, more effective injury management and improved claims management practices.

OneSteel has maintained self-insurance status in the relevant jurisdictions and continues to manage workers compensation in the non-self-insured states under existing commercial insurance arrangements. Detail for the Workers Compensation Outstanding Claims Provision is available at the bottom of the page 24.

Paul Mahady, Saw Operator working at a Grinding Station at Waratah Steel Mill Rail department. Paul is preparing an ingot for sawing into wheel blanks, known as "cheeses", for heating and forging into rail wheels.

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OCCUPATIONAL HEALTH AND SAFETY

Safety underpins OneSteel's mission to deliver superior and sustainable returns

OneSteel demonstrates a strong commitment to occupational health and safety, believing that all injuries, occupational illnesses and incidents are preventable.

Safety is one of two core values that underpins OneSteel's mission to deliver superior and sustainable returns. OneSteel will not compromise on safety.

Occupational Health and Safety outcomes

OneSteel's health and safety performance has improved considerably over the last nine years. The level of performance improvement was broadly maintained throughout this year with an 11% improvement in the Lost Time Injury Frequency Rate (LTIFR) to 1.6 and a 19% improvement in the Medical Treatment Injury Frequency Rate (MTIFR) to 9.1.

Over the past year, there was increased emphasis on driving proactive safety improvement and on facilitating greater employee involvement in safety activities.

OneSteel safety plan

A key element of this year's safety plan has been the extension of our safe systems of work into businesses acquired from the former Smorgon Steel. This work has contributed to a greater than 30% improvement in the key MTIFR indicator within the Australian Reinforcing Company (ARC), Australian Tube Mills and Laverton Steel Mill businesses.

Our challenge is to achieve the next step-change in safety outcomes across the organisation. In 2009, we have again considered the position of each business on the safety journey, and have adopted a business unit specific approach within a set of common objectives.

A comprehensive OneSteel Occupational Health and Safety (OHS) plan has been cascaded into the OneSteel business units. It covers a broad range of targeted actions in areas including building safety leadership capability, standardised OHS management systems, risk management, and training and engagement of our workforce.

The key elements of the plan continue to focus on:

- Building an engaged and supportive safety culture through visible leadership, ongoing education and training, and a high level of participation in the workplace
- The development and consistent implementation of the OneSteel Codes of Practice, standards, guidelines, systems and procedures
- Placing an uncompromising emphasis on hazard identification, risk assessment, risk management, and measuring assurance through operational, corporate and external auditing processes.

Safety leadership

The Occupational Health Safety and Environment (OHSE) Council oversees the execution of the OHS plan and drives continued improvement. The Council, chaired by the Managing Director, includes the key business leaders and provides focus, alignment, and accountability across OneSteel for key OHS activities.

In the past year, more than 800 of our frontline leaders commenced the Leading Safety Essentials program. This program consists of 10 technical safety training modules, safety leadership workshops and on-the-job competency assessment, which create common understanding for our safety expectations, leadership capabilities and competence.

Safety management systems

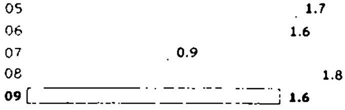
The OneSteel Assurance Program drives compliance of various parts of OneSteel with the Codes of Practice through auditing, reporting, and close-out of actions. Twenty-five business leaders have been selected and trained to conduct assurance audits.

The OHS Management System Audit Program utilises the new national self-insurers auditing model and provides a comprehensive internal safety management system audit process that provides the business site with gap analysis and recommendations for safety system improvements and supports our National self-insurance licensing.

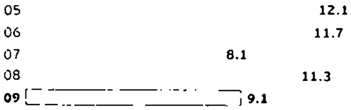
A new common OneSteel computer-based information management system for such elements as injury and incident investigation and hazard registers is currently under development. This will improve consistency of reporting, facilitate the sharing of information as well as improve our approach to completion of agreed actions. The safety intranet site has been expanded to provide a central point of reference for information.

Risk management

During the year, each of the 14 OneSteel Codes of Practice was reviewed, updated for use and approved by the Safety Council. The Codes of Practice represent the minimum standards that apply across OneSteel and are aimed at managing the major hazards and risks within the business.

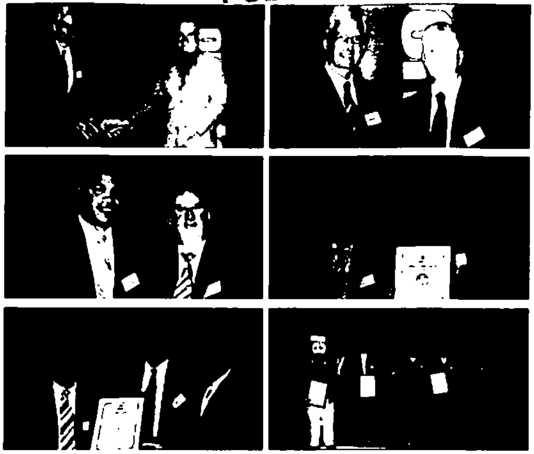


Lost Time Injury Frequency Rate
Per million hours worked



Medical Treatment Injury Frequency Rate
Per million hours worked

LTIFR and MTIFR statistics include the former Smorgon Steel sites from 2008.



(top left) **Safety Employee of the Year**: L to R Geoff Plummer (MD and CEO); Marcus Cleary

(top right) **Safety Front-line Leader of the Year**: L to R Geoff Plummer (MD and CEO); Colin Pryke

(middle left) **Safety Leader of the Year**: L to R George Fonua; Bryan Davis (Director)

(middle right) **Contractor/Supplier of the Year**: L to R Bryan Davis (Director); Steve Zobec, (Worley Parsons)

(bottom left) **Work Team/Department of the Year**: L to R Ron George; Rod Arrold; Jon Blackwell (CEO WorkCover NSW)

(bottom right) **Workplace Safety Initiative of the Year**: L to R Steve Hennessey; Kerry Drinkwater; Jon Blackwell (CEO WorkCover NSW); Stuart Callender; John Creagh; Dave Weiss; Dave Pettit; Simon Jones; Brenton Cabban (winners).

Employee engagement

Ensuring a high level of employee involvement in safety activities is key to further improving OneSteel's safety outcomes. OneSteel is driving towards a culture of interdependence in regard to safety, whereby employees accept responsibility for their own safety but also actively look after the safety of one another.

Engagement of all employees is seen as a key step in reducing incidents and accidents. A number of programs operate throughout OneSteel that are aimed at increasing employees' awareness of hazards in their environment, encouraging them to take time to consider potential risks prior to starting work and reporting potential issues or incidents. In the 2009 financial year, more than 67% of our employees have been actively engaged in safety audits and safety observations.

External environment

OneSteel's Occupational Health and Safety systems, practices, and performance have been an important element in OneSteel being granted Workers Compensation Self-Insurance status in all states where it is eligible.

OneSteel continued its use of DuPont Safety to obtain independent feedback on its safety culture. Opportunities identified from the DuPont organisational safety review in 2008 have been integrated into the 2009 OneSteel Safety Plan.

OneSteel's LTIFR of 1.6 is well below that of our global steel industry peers which averaged a LTIFR of 4.25 for the five-year period from 2004 until 2008.

2009 Safety Excellence Awards

OneSteel is committed to achieving the highest performance in safety improvement throughout its businesses. OneSteel values the contribution by employees, contractors, suppliers, customers, and communities in its ongoing quest for safety improvement. In recognition of this involvement and commitment to safety improvement, and to build on the platform of sharing best practice across the various businesses, OneSteel Safety Awards are held as an annual event.

This year we received a record number of nominations from across the company. We also received the first overseas nomination from our Recycling business in the USA.

The award categories, winners and finalists for 2009, are shown to the right.

Safety Employee of the Year
Winner
Marcus Cleary, Steel Products – Whyalla
Finalists
Alex Arancibia, BTM – Kembla Grange
Peter Laing, ATM – Somerton
Corey Matthews, SCA – Dandenong

Safety Front-line Leader of the Year
Winner
Colin Pryke, Wire Ropes – Newcastle
Finalists
Mariana Roldan, SCA – Dandenong
Rod Arrold, SCA – Hemmant
Paul Vielhauer, Sydney Steel Mill

Safety Leader of the Year
Winner
George Fonua, Contistretch – Newcastle
Finalists
Garry Meagher, ATM – Newcastle
Bruce Kady, SCA – Hemmant
Dave Beaman, SCA – Western Australia

Contractor/Supplier of the Year
Winner
Worley Parsons, Newcastle, represented by Steve Zobec
Finalists
Keith Coster Drafting – Sunshine, VIC
Kings Transport – Fremantle, WA
Amdel – Whyalla, SA

Work Team/Department of the Year
Winner
Sheet, Coil & Aluminium – Hemmant, QLD, represented by Rod Arrold and Ron George
Finalists
Contistretch – Newcastle Rod Mill
Saw Shop – Whyalla
Project William Team – Steel and Tube, Mayfield and Piping Systems, Wallsend

Workplace Safety Initiative of the Year
Winner
Charger Sleeve Automation
Coke Ovens – Whyalla, represented by Brenton Cabban and Simon Jones
Finalists
Bobcat Access Platform
Steelmaking – Waratah
Winding Head Improvements
Wire Ropes – Newcastle
Rope Grabber Safety Device
Wire Ropes – Newcastle

The OneSteel Safety Principles

All injuries can be prevented

Working safely is a condition of employment

Employee involvement is essential

Management is accountable for safety

All operating exposures can be safeguarded

Training employees to work safely is essential

The OneSteel OHS Codes of Practice

Contractor Management	Cranes and Lifting
Electrical Safety	Excavation/Puncture of Surface
Forklift Safety	Incident Investigation
Isolation	Modification Control
Molten Material	OHS Risk Management
Prevention of Falls	Road Transport Safety
Safe Working in Confined Space	Train and Rail Safety

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COMMUNITY

OneSteel is committed to working closely within the community in a number of areas, including regional development, environmental improvement and sustainability matters.

OneSteel's Sustainability Principles underpin our approach to the communities in which we operate. OneSteel seeks to improve our business sustainability by valuing environmental, social and economic considerations in our decision-making. We operate our businesses in an efficient and financially sustainable way in order to supply products and solutions that satisfy our customers' needs and provide value to all of our stakeholders.

OneSteel is committed to environmental protection and seeks to optimise the eco-efficiency of our products through the product life-cycle, including increased resource and energy efficiency in the production and distribution of our products. We are committed to the promotion of the recovery, reuse and recycling of steel and other products.

OneSteel fosters the well-being of our employees. We aim to provide them with a safe and healthy working environment, and demonstrate social responsibility by promoting values and initiatives that show respect for the people and communities associated with our businesses. And we conduct our business with high ethical standards in our dealings with employees, customers, suppliers and the community.

OneSteel is committed to engaging all of our stakeholders in constructive dialogue. We aim to build on and continually earn our social licence, to have a positive impact on the local communities in which we operate and to openly engage our employees and stakeholders on key issues.

OneSteel works closely within the community in a number of areas including regional development, environmental improvement, and sustainability matters and we highlight a number of these initiatives below.

OneSteel supports the Whyallina indigenous group in the establishment of the Walga Mining Company in the Middleback Ranges of South Australia. Walga Mining is a pro-indigenous employer providing contract mining activities to OneSteel. OneSteel supports the cultural activities of the Whyallina group who manage land clearances and local native heritage issues on behalf of the Barngarla native title claimants.

Also in South Australia, the completion of Project Magnet has resulted in important environmental improvements for the City of Whyalla. The significant reduction in red dust has improved the amenity of the town and further strengthened the goodwill between OneSteel and its community stakeholders. OneSteel's environmental initiatives can be read in more detail on page 35 of the Annual Report.

OneSteel encourages open community engagement by all of its employees and business leaders. A number of OneSteel's senior managers participated on hospital, university and TAFE boards, local chambers of commerce, regional development boards and local charities during the year. OneSteel's leaders also regularly participate in industry associations at various levels.

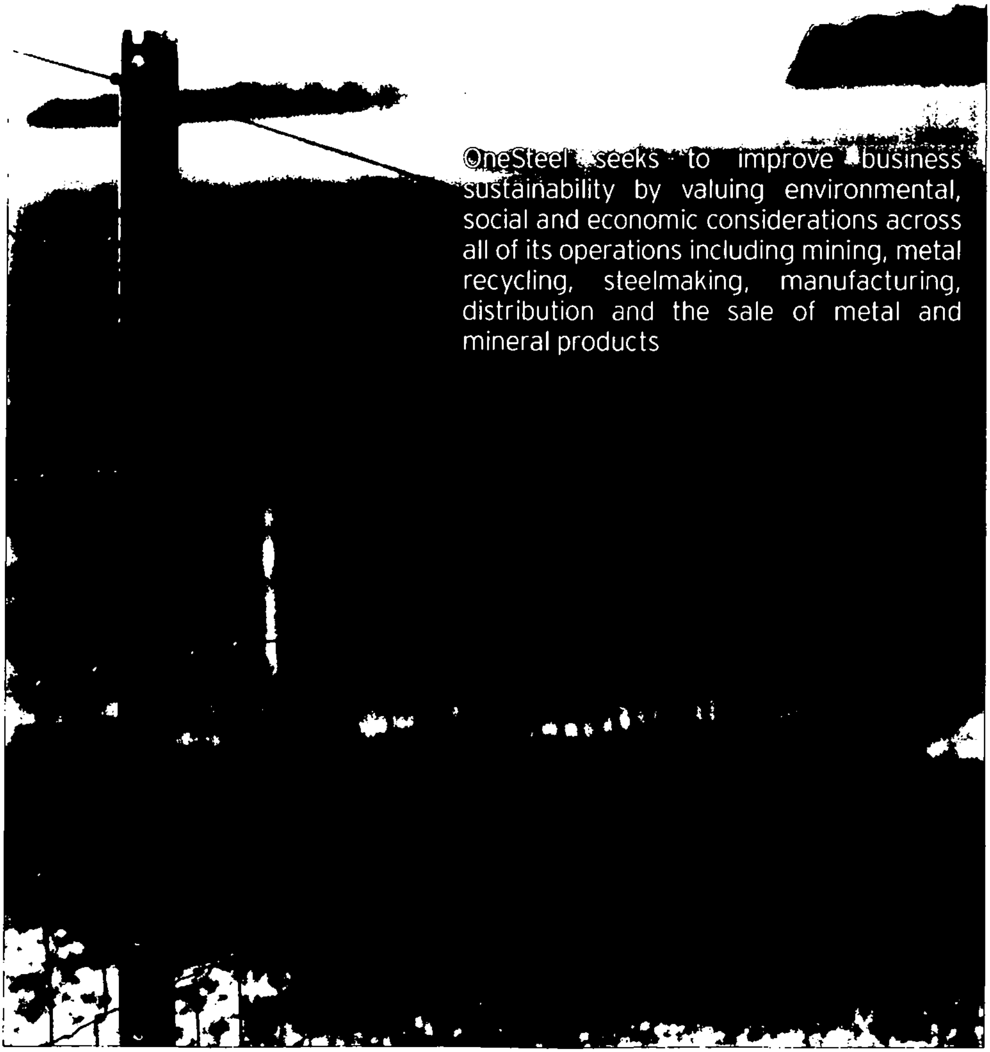
OneSteel assisted the Victorian Bushfire Appeal by donating $80,000 in emergency relief materials and $132,000 in financial aid. Further support was offered in the form of machinery, excavating equipment, skills and labour to assist with the removal of debris from bushfire-affected areas.

OneSteel's Australian workplace giving program also continues to gain momentum. The OneCommunity program enables employees to donate to partner charities supported with matched giving by the company up to $250,000 per annum. Since the program began in 2003, OneSteel has donated more than $1 million to the 11 charities it supports. OneSteel would like to thank our employees for getting involved and supporting causes important to both themselves and the communities in which they live.

Donations to causes outside OneSteel's OneCommunity program have totalled $2.2 million since 2001.

(Left) Waratah® Territory Sales Manager, Kieran Kelly, pictured with Moira Kelly (AO) of the 'Children First Foundation' farm in Kilmore, Victoria. Waratah® assisted in replacing farm fencing destroyed by the bushfires.

(Right) Aaron Whitaker (left) and Andrew Grant (right) from Whyalla High School took part in this year's robotics workshop sponsored by OneSteel.



OneSteel seeks to improve business sustainability by valuing environmental, social and economic considerations across all of its operations including mining, metal recycling, steelmaking, manufacturing, distribution and the sale of metal and mineral products

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OneSteel Sustainability Principles

The World Commission of Environment and Development defines sustainable development as meeting the needs of our current generation without compromising the ability of future generations to meet their own needs.

OneSteel seeks to improve business sustainability by valuing environmental, social and economic considerations in its decision-making across all of its primary operations including mining, metal recycling, steelmaking, the manufacture of intermediate and finished steel products, and the distribution and sale of metal and mineral products.

During the 2009 year, OneSteel reviewed and updated its Sustainability Principles and seeks to apply these principles within its business activities:

Value for stakeholders
Operate our businesses in an efficient and financially sustainable way in order to supply products and solutions that satisfy our customers' needs and provide value to our stakeholders.

Environmental protection
Optimise the eco-efficiency of our products through the product life-cycle, including increased resource and energy efficiency in the production and distribution of our products and during the use of steel products. We are committed to the promotion of the recovery, reuse and recycling of steel and other products.

Safety and health
Foster the well-being of our employees and provide them with a safe and healthy working environment.

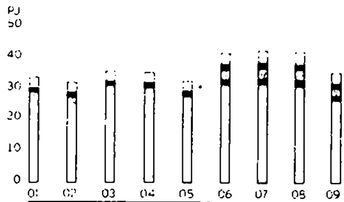
Local communities
Demonstrate social responsibility by promoting values and initiatives that show respect for the people and communities associated with our businesses.

Ethical standards
Conduct our business with high ethical standards in our dealings with employees, customers, suppliers and the community.

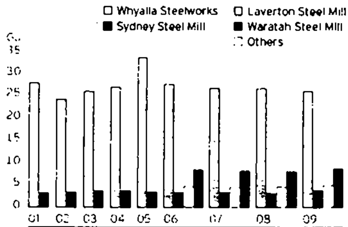
Stakeholder engagement
Engage our stakeholders and independent third parties in constructive dialogue to help fulfill our sustainable development commitments.

Sustainability governance in OneSteel

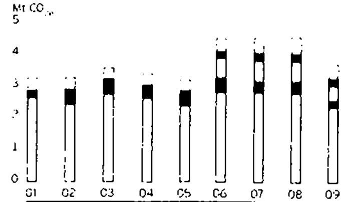
The OneSteel Sustainability Panel is the peak co-ordination body that advises OneSteel's senior management and the OneSteel Board on sustainability matters. During the year, the Sustainability Panel has focused its efforts on developing a OneSteel Strategic Sustainability Plan, with initial work largely focused on environmental activities, and revising the OneSteel Sustainability Principles outlined above.



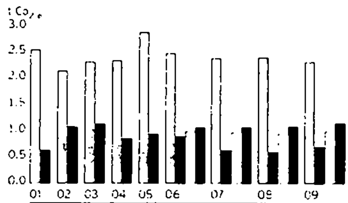
Energy and Reductant Use 2001-2009
(financial year end)



Energy Intensity of Steelmaking Sites
(financial year end)



Greenhouse Gas 2001-2009
(financial year end)



Greenhouse Intensity of Steelmaking Sites
(financial year end)

[1] Smorgon Steel data obtained for FY06, F07 prior to acquisition in August 2007.
[2] FY09 data shows the effect of the Global Financial Crisis on production, and therefore energy use, emissions, and intensities.
[3] Historical data has been adjusted where possible against changes in methodology and facility boundaries in energy and greenhouse accounting against FY09 for a comparable basis.
[4] Steel Mill sites include all on-site activities except crude steel production (e.g. including rolling.)

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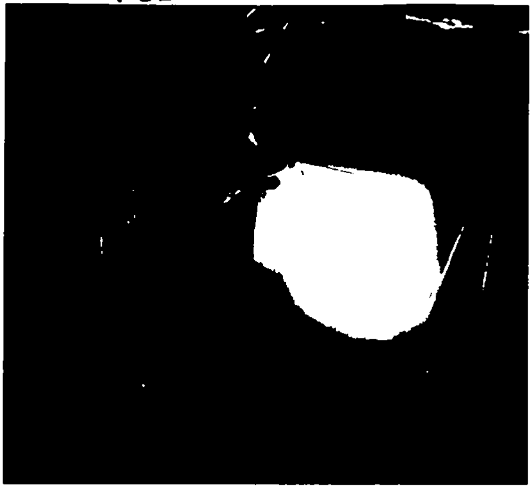

Charcoal trial as a recarburiser at OneSteel Sydney Steel Mill

As part of the joint CSIRO/BlueScope Steel/OneSteel biomass project, charcoal was prepared and trialled at OneSteel Sydney Steel Mill as an alternative to anthracite (coal) based recarburiser. This material is used to adjust carbon content in steel chemistry. The trial yielded encouraging results and further assessment and development work is underway. The potential benefit is to replace a Coal-based material with biomass to reduce GH Gases. The photo shows a team member taking hydrogen measurements in the steel melt after recarburiser addition as part of test work.

Key areas of strategic sustainability at work

A general overview of OneSteel's sustainability activities during the year is outlined below. Further comment on the company's activities and performance in the areas of environment, occupational health and safety, the community and financial performance is discussed in the corresponding sections of this Annual Report.

Climate change/Greenhouse

OneSteel's greenhouse emissions for the 2009 financial year are calculated to be 3.74 million tonnes of CO_2 equivalent greenhouse gases including purchased electricity. Approximately 88% of OneSteel's greenhouse gas emissions derive from the steelmaking and hot-roll/forging operations at Whyalla in South Australia, Sydney and Waratah in New South Wales and Laverton in Victoria.

OneSteel's energy and greenhouse inventory was prepared in alignment with the Australian National Greenhouse Emissions Reporting Scheme (NGERS). OneSteel's current greenhouse inventory excludes OneSteel's international Recycling and Grinding Media operations. OneSteel intends to capture the greenhouse emissions of these sites in the 2010 financial year.

OneSteel has also undertaken a major project to improve our processes for energy and materials data, capture, collation and reporting. The first stage of the project will focus on reporting against NGERS guidelines. OneSteel will submit a report as required under NGERS for the 2009 financial year. The second stage of the reporting project will focus on reporting guidelines for the proposed Australian Carbon Pollution Reduction Scheme (CPRS).

OneSteel updates its historical energy and greenhouse data in line with changes to carbon accounting methodologies and conversion factors in order that a common approach is presented in the underlying data.

A number of major activities in the area of climate change and greenhouse also took place at a corporate level during the year, including:

- Formation of a project concerning the implementation of the Australian Carbon Pollution Reduction Scheme with a full-time Project Director and Project Manager appointed
- Corporate appointment of a Principal Energy Efficiency Engineer
- A review of greenhouse abatement opportunities involved in generating a preliminary Marginal Abatement Cost Curve (MACC) of potential abatement projects to assist in identifying and prioritising project feasibility reviews.

Australian Carbon Pollution Reduction Scheme (CPRS)

OneSteel recognises the importance of lowering Australia's contribution to world greenhouse emissions and is assessing its own internal energy and greenhouse abatement options. It is very important that the many facets of an emissions trading scheme be appropriately reviewed and designed.

OneSteel has contributed to the consultation processes around the CPRS.

OneSteel is exposed to carbon costs under the proposed Australian CPRS via several avenues:

- Direct liability to purchase permits for the emissions of certain major sites where their Scope 1 (essentially combustion related) emissions are above 25,000 tonnes CO_{2-e}
- Indirect costs pass-through for electricity used at all Australian sites due to anticipated carbon related price rises
- Indirect costs pass-through on various materials purchased by OneSteel Australian sites, due to direct liability and cost pass-through exposure on suppliers.

Under the CPRS, OneSteel is expecting, subject to government approval, to gain a certain transitional assistance in free permit allocation under the Emissions Intensive Trade Exposed (EITE) scheme, but at a declining rate annually. This relates to emissions generated by a proportion of our on-site operations at our steelmaking and hot-rolling facilities. EITE assistance does not extend beyond these facilities to other activities such as wiredrawing, pipe and tube etc.

OneSteel has also contributed to the Renewable Energy Target (RET) consultation process. RET is focused on setting renewable energy targets for the power generation industry to lower the greenhouse intensity of electricity supply. This will also flow through as an incremental cost to electricity.

OneSteel joined the Greenhouse Challenge Plus Program during the year, but this program subsequently ceased as of 30 June 2009 after a Governmental review.

OneSteel with BlueScope Steel and the CSIRO Minerals Down Under Flagship program, continued their research activity during the financial year, on biomass use in the iron and steel industry, and dry slag granulation and heat recovery.

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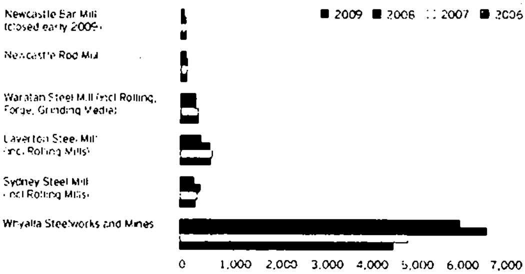
OneSteel Whyalla
In a recent project, OneSteel Whyalla has eased its impact on the River Murray by 800,000 litres per day, the equivalent of 16 backyard swimming pools worth of water per day. The steelworks takes wastewater from a SA Water wastewater treatment plant for use in dust suppression on OneSteel's roads and stockpiles. OneSteel has upgraded an existing pipe and pumping system to enable it to deliver the recycled water to its own storage dam.



Townswater Consumption – Top Six Sites
(million litres)

This program continued its linkage to the Worldsteel's CO_2 Breakthrough Program (formerly the International Iron & Steel Institute) researching new low-carbon iron and steelmaking technologies. The Australian research has been presented in several Australian and international conferences and journals.

OneSteel business unit site activity

Governance
The OneSteel Market Mills business Strategic Environment and Sustainability Plan includes efficient use of resources as a key area of focus. The OneSteel Market Mills business appointed a Manager Environment & Sustainability to reflect the strategic importance of sustainability issues to the division. The initial focus of the Market Mills business has been on building the capability and processes to measure and monitor consumption of resources, including energy, water and waste. A web-based energy and resource tracking system is currently being rolled out across OneSteel Market Mills to allow monitoring of energy, water and waste key performance indicators.

Freshwater management/reduction
OneSteel's annual consumption of townswater from the OneSteel Whyalla operations and OneSteel Market Mills business units, as well as the major Australian shredder sites was approximately 7,270 million litres in the 2007 financial year, excluding OneSteel's distribution sites, other Recycling sites, and overseas sites. Townswater consumption increased to around 9,000 million litres in the 2008 financial year, reflecting the change to magnetite iron ore feed at Whyalla and higher production levels. In the 2009 financial year, townswater consumption reduced to approximately 8,080 million litres as a result of the introduction of water saving projects and lower operating levels, as well as the closure of the Newcastle Bar Mill. Townswater consumption from OneSteel's top six operating sites by usage are shown in the chart to the left. These sites represent approximately 98% of OneSteel's total townswater consumption.

In South Australia, both the community of Whyalla and OneSteel's Whyalla operations rely on the River Murray water system. OneSteel Whyalla has implemented a multi-layered strategy of measurement, awareness and savings to reduce Murray River water usage. As a result of this project, significant water savings have been made in the last 12-18 months. Freshwater usage for the 2009 financial year was approximately 6,200 million litres, down from 6,800 million litres in the 2008 financial year. OneSteel has also introduced a freshwater usage target for the combined OneSteel Whyalla's steelworks and mine site of less than 5,800 million litres per annum by December 2010.

A number of Whyalla water management projects were completed during the year, including:

- Mapping and increased water metering that has improved accountability and savings identification
- Process water reuse for dust suppression (0.2 GL/yr) implemented
- Temporary system for Mines Tailings Storage Facility water recovery (0.2 GL/yr)
- Concentrator Coarse Tails improvement (0.12 GL/yr)
- Whyalla township recycled water capture and use (0.3 GL/yr)
- Facilities upgrades comprising 141 dual flush toilets, 134 showers, 82 urinals, and 158 flow restrictors.

Polymer Injection Technology for Electric Arc Furnace (EAF) steelmaking
Implementation of this technology at OneSteel's Sydney and Melbourne-based EAF facilities achieved a number of benefits including improved slag foaming resulting in reduced energy consumption and therefore lower greenhouse gas emissions produced by coal-fired power stations; reduced quantity of injectant required; lower cost of rubber injectant over coke; increased furnace productivity resulting from reduced power-on time; and reduced emission levels for NOx, CO and SO_2. A detailed case study on polymer injection is available at http://www.onesteel.com/sdevelopment.asp

Additionally, OneSteel Whyalla uses approximately 155,000 million litres of saltwater per annum for various cooling purposes, in comparison with 6,200 million litres of freshwater.

Other water saving initiatives at OneSteel's Whyalla operations included the introduction of an employee water-saving-awareness program, including a roll out to approximately 350 front-line leaders involving Whyalla's Chief Executive, Mark Parry.

OneSteel Whyalla is also working with The University of South Australia's Regional Sustainability Centre to investigate technology options for the demineralisation of saltwater, and the use of waste energy streams in the demineralisation process.

OneSteel Whyalla, is investigating the technical, environmental and financial feasibility of reverse osmosis desalination of seawater with the objective to produce up to 1,500 million litres per annum of freshwater.

Within the OneSteel Market Mills Strategic Environment and Sustainability Plan, the major water reduction initiative identified is to connect Sydney Steel Mill to recycled water. There is intent to investigate a similar connection to the Laverton Steel Mill site. While aggregated water reduction targets are being developed at OneSteel's Manufacturing business level, several Market Mills sites have water reduction targets in place.

OneSteel's Sydney Steel Mill is currently evaluating a proposal for the supply of recycled water from a local sewage treatment plant that could result in a water usage reduction of approximately 60% and annual savings of approximately 200 million litres. Sydney Steel Mill also continues to recycle stormwater from some hardstand areas of the site via a dam for slag quenching to reduce potable water use.

OneSteel's Waratah Steel Mill has reduced water consumption from 1.4kL/tonne in the 2008 financial year to approximately 1.3 kL/tonne in the 2009 financial year and is targeting a further reduction in water intensity to 1.2kL/tonne by the end of the 2010 financial year.

Lower operating levels impacted OneSteel's Laverton Steel Mill's water intensity during the year. However, a number of initiatives at the Laverton site include metering upgrades to allow the development of an accurate site water balance and have increased the ability to detect leaks and abnormal consumption. In addition, rainwater-harvesting initiatives from the site's buildings captures approximately 20 million litres per annum of rainwater, reducing townswater demand.

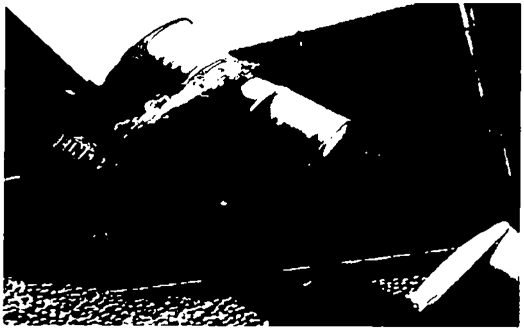
In conjunction with City West Water, OneSteel's Laverton site has been providing a free showerhead exchange for the site's employees.

At OneSteel's Geebung, Queensland recycling site, a complete demolition of old asbestos-clad structures and rebuilding program has created a modern scrap yard in the Recycling business with motion sensor-activated internal lighting and waterless urinals.

Natural resources utilisation

Polymer Injection Technology is an exciting new patented process, which partially substitutes the use of coke with polymers, including waste rubber, as an alternate carbon injectant to produce foaming slag in Electric Arc Furnace (EAF) steel making. This concept was invented by Professor Veena Sahajwalla at the University of New South Wales and resulted in a three-year technology development and testing program conducted in partnership with OneSteel at its Sydney EAF facility.

Substituting a proportion of coke used for EAF slag foaming with polymers, received regulatory approvals allowing its application at the Sydney Steel Mill in November 2008 and Laverton Steel Mill in July 2008. The Waratah Steel Mill will go through the regulatory approval process to allow the technology to be applied there.



OneSteel Waratah Steel Mill – Rubber Dunnage
OneSteel's Grinding Media business is trialling a system using rubber dunnage made of recycled tyres to replace wooden pallets for safe transportation of drums.

Following the completion of successful trials and full implementation of this technology at OneSteel's EAF facilities in Australia, OneSteel is preparing to take this technology to market through its exclusive sub-licensing deal with NewSouth Innovations Pty Ltd (NSi) Australia, a commercial arm of the University of NSW. OneSteel's Polymer Injection Technology team has also developed a suite of products and services from which to tailor an implementation solution to meet the needs of its customers.

OneSteel's Recycling segment is working with suppliers of slag-handling services to explore opportunities to reduce metal shredding waste costs. OneSteel's Laverton Steel Mill is now utilising a coarse fraction of baghouse dust, as a raw material for the cement industry.

The installation of a baghouse dust agglomeration facility at OneSteel's Sydney Steel Mill is planned for the 2010 financial year to allow recycling of all baghouse dust production from OneSteel's EAFs. The second phase of the project will include the addition of a washing facility to reduce salt levels in the agglomerised dust, to allow the recycler to take higher tonnages.

OneSteel's value chain and our work with external bodies

OneSteel's value chain continues to reflect the key components of the life-cycle of steel from iron ore mines, steelmaking, steel product manufacturing, steel product distribution and steel recycling operations. OneSteel is actively involved with a number of associations to progress and promote the sustainable use of Australian steel across a number of industries.

OneSteel is a foundation member of the Sustainability Group of the Australian Steel Institute (ASI). The ASI Sustainability Group's activities and achievements during the year included:

- Publication of a brochure entitled "Touching the earth lightly" on the Australian steel industry and sustainability. A copy of this brochure can be found at www.steel.org.au
- Forming the inaugural annual ASI Sustainability Awards for 2009
- Participating in a Building Products Innovation Council (BPIC) project on forming an Australian building products life-cycle inventory database.

OneSteel has been active in the development and encouragement of sustainable design for steel construction including the ability to design for reduced steel content using composite design principles, and design for future steel section reuse by applying deconstruction design guidelines. Detail of these guidelines is available at both www.steel.org.au and www.onesteel.com.

In addition, OneSteel is a full member of the Green Building Council of Australia, and is working to improve the sustainability and workability of various elements of Green Star building rating tools related to steel building material selection and design within the broader steel and building industries.

OneSteel's Recycling segment is working with the Australian Council of Recyclers (ACOR) to lift recycling rates within the community through a number of activities including:

- An Industry submission to the Australian Government on a "Draft National Waste Policy Framework – Less waste more resources", that advocates recycling through a more centralised setting of waste policy strategy and priorities, increased use of product stewardship approaches to increase the volume of recycled scrap, and the reduction of use of hazardous substances in products
- Working closely with the non-Government (NGO) sector on initiatives such as the National Recycling Initiative that supports further investment into recycling infrastructure.

Sustainability reporting

OneSteel remains committed to demonstrating our performance in the area of corporate social responsibility with regular reporting on sustainability matters to all of our stakeholders. Information can be obtained from the Sustainable Development section on our website at www.onesteel.com and through our reporting. The OneSteel website includes a number of studies and reports on sustainable building construction topics such as life-cycle data on products, innovative design case studies and recycled content values in products.

Additionally, a copy of OneSteel Whyalla's latest annual Environmental and Social Responsibility Report can be located via the Sustainable Development tab under Environment/Reports at www.onesteel.com on the website. The intention of this report is to provide information to the Whyalla community and key stakeholders on the environmental and social responsibility performance of OneSteel's Whyalla operations.

PUBLIC FILE 302

ENVIRONMENT REPORT

ONESTEEL ENVIRONMENT POLICY

OneSteel is committed to sound environmental management including the efficient use of energy, the minimisation of pollution, and continual improvement through efficient Environmental Management Systems. OneSteel is also committed to the management of land including the value of the land to biodiversity.

These topics are discussed below and also in detail in OneSteel's Environment Policy that can be viewed on the OneSteel website at www.onesteel.com.

Energy and greenhouse

In the 2009 financial year, OneSteel consumed approximately 35.3 petajoules (PJ) of energy. Of this, 91% was consumed at the four major steelmaking and recycling operations including the integrated steelworks at Whyalla, SA (26.3 PJ) and the electric arc furnaces and manufacturing operations at Waratah, NSW (2.1 PJ), Laverton, VIC (2.3 PJ) and Sydney, NSW (1.3 PJ). OneSteel's energy consumption was lower than previous years driven by lower production levels resulting from the effect of the Global Financial Crisis.

In the 2009 financial year, the larger OneSteel sites participated in various national and state energy efficiency programs including:

- The Energy Efficiency Opportunities (EEO) program, which is a national scheme that requires an effective management system to be in place and public reporting of viable energy reduction opportunities
- Greenhouse Challenge Plus, which requires companies to identify and commit to energy saving initiatives
- The NSW Energy Saving Action Plan (ESAP) program that requires viable energy opportunities to be reported within a plan to Government
- The NSW Greenhouse Gas Abatement Scheme (GGAS), in which OneSteel is a "Benchmark Participant"
- The Victorian Environment Resource Efficiency Plan (EREP) program which covers both energy and water efficiency plans
- The NSW Energy Savings Scheme that provided a grant of $186,000 from the Climate Change Fund to install variable speed drives on some baghouse fans at the Waratah site. This will save approximately 1800 MWh per annum.

The EEO Program is the most comprehensive of these programs and in the 2009 financial year OneSteel achieved two notable milestones; reporting on the first assessments and completion of additional assessments. The public report can be found on the OneSteel website at www.onesteel.com.

Emissions reduction

OneSteel's Environment Policy makes clear our commitment to minimising and preventing pollution. In particular, there has been considerable progress in this area at OneSteel Whyalla in relation to red hematite dust emissions and coke ovens marine discharges.

Red dust emissions

OneSteel's Project Magnet was commissioned in December 2007 and has contributed to significant improvement to the level of red hematite dust in Whyalla. Specific changes introduced that have contributed to this improvement include the following:

- Crushing and screening activities were relocated to the mine site and the magnetite ore for pelletising is slurried to the steelworks through a 62 km pipeline
- The ore dry grinding operations at the pelletising plant have been decommissioned
- Export hematite ore is now stored inside a shed
- The former export stockpile areas have been closed and are being remediated
- The No. 3 Screening Plant, which was redundant and had the potential to generate dust, has been removed. It was cleaned down, dismantled and processed for scrap. Other redundant equipment at the Pellet Plant will also be removed.

OneSteel Whyalla maintains a sophisticated dust control network of real-time dust monitors situated between the pellet plant and export facility, at the east end of the Whyalla community. The network continues to monitor dust emissions so that dust management controls can be applied and improvement tracked over time. OneSteel Whyalla also has a community dust target, agreed with both the community and Government, as part of its EPA licence conditions and reports its performance weekly in the Whyalla newspaper. OneSteel Whyalla has been able to maintain compliance with this target since its introduction in 2008.

Sand goannas are just one of the many species to benefit from OneSteel's mitigation and species recovery measures.

PUBLIC FILE 301

Sandhill Dunnart trapped and released during survey work by Adelaide University in the Middleback Ranges, April 2009.

Coke ovens marine discharges
OneSteel Whyalla has one remaining significant marine discharge, the effluent from the coke making process. A reed-bed treatment system treats a percentage of this effluent and the waste water from this process is returned to the quenching tower to quench coke.

A project is underway which will see the installation of an ammonia distillation plant capable of removing more than 80% of the ammonia and cyanide present in this effluent. The remaining phenol will be treated by a combination of the reed-bed treatment system and the coke ovens pond system. This project is expected to cost $14 million in total, of which $5.2 million was spent in the 2009 financial year.

Land management, mining and biodiversity
The South Middleback Ranges (SMR) in South Australia are an important feature on the Eyre Peninsula landscape and the source of iron ore for the Whyalla Steelmaking operations and iron ore export. The SMR also provide a boundary between two different and important ecosystems.

Although the mining of iron ore deposits within the Middleback Ranges has removed limited areas of native vegetation and consequently some faunal habitat, the disturbance is limited to the immediate area of mining and mining infrastructure. To off-set these impacts, OneSteel has provided 19,900 hectares of high-value biodiversity land area, the Shirrocoe property, for conservation purposes and is actively involved in mitigating pest animals and species and supporting recovery programs that will add strength to the conservation of ecosystems and species diversity in the South Middleback Range region.

As predation from introduced animals such as foxes and cats is a major threat to the conservation of many species of small mammals, birds and reptiles, OneSteel has joined forces with the Department of Environment and Heritage (DEH) and neighbouring properties to implement pest control programs. This is an important step in providing species protection and sustainable habitat for native flora and fauna.

Case study
A very important species to benefit from OneSteel's conservation efforts is the Sandhill Dunnart, a rare carnivorous marsupial. The Sandhill Dunnart is restricted to just four known populations in South Australia and is listed as Endangered under the Commonwealth EPBC Act. Although it is known that this small mammal inhabits areas of spinifex on sand dunes, little else is known about the creature or its specific habitat requirements. OneSteel Whyalla plans to add to that knowledge base through our fauna monitoring and habitat mapping programs.

Environmental management systems
Effective Environmental Management Systems (EMS) are essential for improved environmental performance. Within OneSteel, the structure of EMS complies with the recognised international standard ISO 14001:2004. All major manufacturing sites within OneSteel have achieved this standard and have been certified by external auditors. In the 2009 financial year, a number of sites had their certification renewed or confirmed after an external audit.

Prosecutions, non-compliances, incidents and complaints
OneSteel's operations are diverse and numerous, and in many cases, large industrial facilities are in close proximity to residential and commercial neighbours. As such, from time-to-time OneSteel receives complaints from these neighbours. All complaints received are logged and investigated. Where complaints are found to be due to OneSteel activities, actions are initialed to reduce the impact on neighbours. Between the 2008 and 2009 financial years there was a 36% reduction in complaints received by OneSteel from 376 to 241. Much of this change is attributable to a reduction in complaints at Whyalla due, in part, to improvements in dust emissions (see red dust emissions above).

Similarly, in the 2009 financial year, there was a reduction in the number of environmental events and non-compliances recorded within OneSteel from 342 to 251, and most of these were of a very minor nature, with no environmental impact. There were no environmental events in the year that had more than a minor short to medium-term effect on the biological or physical environment.

OneSteel was not subject to any prosecutions in the 2009 financial year for environmental matters.

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FINANCE AND RISK MANAGEMENT

OneSteel is committed to managing risk to protect our people, the environment, company assets and our reputation as well as realise opportunities

ONESTEEL RISK POLICY

Debt management

OneSteel is committed to maintaining an investment-grade profile for its debt. The targeted range for debt considered appropriate in normal circumstances is 30% to 40%, on a net debt/net debt plus equity basis, including derivatives. OneSteel's gearing level at the end of June 2009 was 22.3%. The Board is comfortable with the current level of gearing given the external environment.

OneSteel's core debt facilities at the end of June 2009 comprised $1,823 million of syndicated loans provided by a group of banks with tranches expiring from 2010 to 2012, $250 million bilaterals expiring in 2011, and US$488 million of US privately placed debt with tranches expiring from 2010 to 2020. At the end of June 2009 drawn debt was $1,224 million.

Interest rate management

OneSteel'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, OneSteel uses a mix of "fixed" and "floating" interest rate instruments where "fixed" is defined as 12 months or longer.

Equity management

At the end of June 2009, there were 1,325.8 million shares on issue, providing a contributed equity of $3,735.2 million (net of employee compensation shares) that when added to retained earnings, reserves and outside equity interests, provided total shareholders' equity of $4,336.3 million.

Since listing in 2000, the main additions to contributed equity up to the end of 30 June 2009 have been a private placement completed in December 2001 of 69.7 million shares, a share issue of approximately 296 million shares to Smorgon Steel Group Limited shareholders as consideration for their shares in Smorgon Steel, and an equity placement and entitlement offer in April and May 2009 that resulted in an additional 438.5 million shares being issued. Dividend Reinvestment Plan participation has ranged from 16% to 33% since April 2002.

Dividend policy

In recognition of the cyclicality and seasonality of OneSteel's earnings, combined with the investment market's preference for a smooth and relatively predictable dividend stream, the OneSteel Board sets a dividend after taking a view of a sustainable level of dividends having regard to future expected profit outcomes and cash requirements.

The extent to which OneSteel is able to frank dividends depends on the amount of tax paid in Australia.

Foreign exchange exposure

The main sources of foreign exchange risk include:

- Sale of commodity goods and steel product in export markets (predominantly in US dollars)
- Inventory purchases in foreign currency
- Purchase of commodity inputs
- Capital expenditure purchase of services in foreign currency.

The Group requires all business units to use forward currency contracts to minimise the currency exposures.

OneSteel also has foreign currency exposure arising from its US private debt placement. Some of this debt has been hedged using a series of cross-currency interest rate swaps and foreign exchange swaps. The remaining portion of unswapped debt is used to fund investments in US businesses.

OneSteel also has exposure to foreign exchange translation risk in relation to New Zealand dollar-denominated and US dollar-denominated assets and liabilities. These relate to its 50.3% share in Steel & Tube Holdings and investments in offshore businesses.

For the US businesses, the Group has considerable natural hedging in place.

Financial reporting control assurance

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

- Identify and analyse the key financial processes
- Assess the inherent and residual risk of each key financial process
- Identify key financial controls where an inherent/residual risk gap indicates significant reliance on internal controls
- Perform Control Self Assessment tests of key financial controls, Stewardship reviews and OneSteel Location Assurance programs conducted on a monthly basis
- This process is based on:
  - AS/NZS 4360/COSO Risk-based identification of key financial controls
  - PricewaterhouseCoopers', the company's internal auditors' verification of the effectiveness of key financial controls
  - Business unit risk owner/management sign-off to support Chief Executive Officer and Chief Financial Officer sign-offs.

Risk factors relating to OneSteel

OneSteel has an established business risk profiling system for identifying, assessing, monitoring and managing material risk. The system is based on AS/NZS 4360/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:

- Key risks are identified bi-annually 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

OneSteel has a full-time risk management and internal audit manager, with the execution of the internal audit function outsourced to PricewaterhouseCoopers. The internal audit program is aimed at providing assurance to the 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. PricewaterhouseCoopers works with the company's full-time risk and audit manager and external auditor, KPMG, to minimise any duplication of effort and to maximise knowledge sharing between the assurance providers.

OneSteel material business risks

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

FINANCE AND RISK MANAGEMENT
(CONTINUED)

Domestic and global economic environment and capital market conditions: OneSteel's financial performance and market capitalisation will fluctuate due to various factors including 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, scrap metal prices, global geo-political events and hostilities and acts of terrorism, investor perceptions and other factors that may affect OneSteel's financial position and earnings.

Cyclical nature of steel industry: OneSteel's revenues and earnings will be sensitive to the level of activity in the Australian construction, manufacturing, mining, agricultural and automotive industries and will also be sensitive to the level of activity in the global mining and rail industries.

Adverse impact of certain commodity price fluctuations: OneSteel is a buyer of various commodities, including coking coal, hot rolled coil, zinc and is a seller of iron ore. Fluctuations in the global prices of these commodities will impact on OneSteel's profitability and balance sheet.

Adverse impact of foreign currency exchange rates: OneSteel buys goods and services and incurs capital expenditure which is priced in, or has prices determined by reference to, US dollar prices. As a result, fluctuations in foreign currency exchange rates, in particular, volatility of the US dollar against most major currencies and strengthening of the Australian dollar against the US dollar, may have a material adverse impact on the financial position and performance of OneSteel.

Competition: Competition in the steel long products markets in Australia and New Zealand is based primarily on price, timely customer service, distribution capabilities and the ability to provide value-adding products and services. OneSteel faces competition from imported steel long and tubular products and domestic manufacturers of steel long and tubular products, some of which may have lower costs of manufacture than OneSteel. A significant increase in competition, including through imports, could materially affect the future financial position and performance of OneSteel by putting downward pressure on steel prices or by reducing OneSteel's sales volumes.

Dependence on key customer and supply relationships: OneSteel 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 OneSteel's operations, financial condition and prospects.

Carbon Pollution Reduction Scheme: The Australian Government proposes to introduce a Carbon Pollution Reduction Scheme (CPRS) from July 2011. OneSteel's steelmaking operations are emissions-intensive and trade-exposed, as they compete with international competitors, many of which are not subject to any carbon costs. Based on details released to date, it appears that OneSteel's integrated iron and steelmaking operation are likely to qualify for 90% assistance and EAF steelmaking operations for either 60% or 90% assistance, although the process boundaries to which this assistance will apply are still not certain and the assistance levels will decrease over time. The assistance will generally not extend to emissions-related costs passed through to OneSteel by its suppliers and service providers. If the CPRS is introduced in the form currently proposed by the Australian Government, which is not certain, OneSteel will be exposed to additional operating costs that will have an adverse impact on the financial performance of OneSteel. The extent of this impact, however, remains uncertain as it is dependent on the final form of the emissions trading scheme and the nature, level and duration of assistance ultimately provided to its emissions-intensive trade-exposed operations, as well as the market price for carbon emissions units.

Environment: The severe drought conditions in Australia may impact on industrial water allocations. Any restriction on OneSteel's access to water may have a material adverse impact on its business operations and financial performance. Primary risk comes through government regulation and programs, secondarily through social responsibility and company local environmental credentials. OneSteel's operations are subject to environmental and planning laws and regulations in each of the jurisdictions in which it operates. A risk of material environmental liability may exist in relation to former sites including where OneSteel has provided indemnities in connection with the divestment of sites and existing sites as a result of site contamination.

Operational risk: The production of iron and steel products involves a number of inherent risks relating to the operation of OneSteel'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 and electric arc furnaces.

Insurance: OneSteel will seek to maintain insurance for business interruption, property damage, goods in transit and public and product liability. However, OneSteel's insurance will not cover every potential risk associated with its operations and, in some cases, will be subject to large deductibles. The occurrence of a significant adverse event, the risks of which are not fully covered by insurance, could have a material adverse effect on OneSteel's financial condition and financial performance.

Occupational health and safety (OHS): OneSteel has been granted self-insurance status for workers compensation in a number of states. OneSteel's continued safety performance and compliance with OHS systems and practices is a key component to maintaining self-insurance status. If OneSteel fails to maintain adequate occupational health and safety systems and practices, OneSteel may lose its self-insurance status, which may have a material adverse effect on the financial performance of OneSteel. In common with all industrial companies, OneSteel faces the risk of workplace injuries, which may result in production or industrial stoppages, workers compensation claims, related common law claims and potential occupational health and safety prosecutions.

Product risk: OneSteel maintains an internal risk management process and also follows quality assurance procedures in relation to the manufacture of its products and materials. OneSteel's steel mills are accredited to ISO9001 or ISO9002, being internationally recognised standards. However, due to the nature of its operations, it is possible that claims against OneSteel could arise from defects in material or products manufactured and/or supplied by OneSteel. Such claims could have a material adverse effect on the future financial position and performance of OneSteel.

Industrial and personnel risk: Interruptions at OneSteel's production facilities, arising from industrial disputes, work stoppages and accidents may result in production losses and delays, which may adversely affect the financial position and performance of OneSteel. OneSteel may also have difficulty attracting and retaining staff with specialised skills necessary for the operation of OneSteel's facilities, particularly in regional locations.

Intellectual property: Intellectual property is expected to form a growing part of OneSteel's business. Such intellectual property includes technology, know-how, trademarks, design and patents, both owned and licensed. There can be no assurances that the validity, ownership or authorised use of intellectual property relevant to the businesses may not be challenged.

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BOARD OF DIRECTORS

P J (PETER) SMEDLEY BComm, MBA, FAICD
Chairman, Independent Non-Executive Director

Age 66. Appointed a Director and Chairman in October 2000. Mr Smedley is Chairman of the Operational Risk Committee and a member of the Governance & Nominations Committee and the Human Resources Committee. He is Chairman of Spotless Group Limited, and CARE Australia, and Deputy Chairman of the Colonial Foundation. He is also a Director of The Australian Ballet and the Haven Foundation. His previous roles included Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director & Chief Executive Officer of the Colonial Group Limited, Chairman of the State Bank of New South Wales, Executive Director, Downstream Oil and Chemicals and Executive Director, Coal and Metals for Shell Australia Limited, Deputy Chairman of Newcrest Mining Limited and Director of Austen & Butta Limited.

Other listed company directorships held during the period 1 July 2006 to 30 June 2009:

- Spotless Group Limited, appointed 8 December 2006.

G (GEOFF) PLUMMER BEc
MD & CEO, Non-Independent Executive Director

Age 53. Appointed a Director in December 2004 and became Managing Director and Chief Executive Officer on 2 May 2005. Mr Plummer joined OneSteel in October 2000 from BHP after 22 years with the group. His previous roles with OneSteel were Deputy Managing Director and before that Executive General Manager Market Mills. His roles at BHP included President Rod & Bar Products (BHP Steel), General Manager of the joint venture company Bekaert-BHP Steel Cord, President of Australian Logistics Services in BHP Transport and management positions in BHP wire operations. He is a Director of the World Steel Association.

L G (LAURIE) COX, AO BComm, FCPA, SFFin, FAICD
Independent Non-Executive Director

Age 70. Appointed a director on 17 September, 2007. Mr Cox is a member of the Audit & Compliance Committee and the Human Resources Committee. He is Chairman of SMS Management & Technology Limited and Chairman of the Murdoch Children's Research Institute Limited. Mr Cox has over 40 years experience in Australian and international financial markets, holding senior positions including Chairman Australian Stock Exchange (1989-94), Executive Chairman Potter Warburg Group of companies (1990-95), and Director SG Warburg Securities, London. He was also the Chairman of Transurban Group, a director of Smorgon Steel Group Limited, Hills Motorway Limited, Hills Motorway Management Limited and an Executive Voting Director of Macquarie Group Limited. Other listed company directorships held during the period 1 July 2006 to 30 June 2009:

- Smorgon Steel Group Limited from September 1998 until August 2007
- SMS Management & Technology Limited since May 2001
- Transurban Group from November 2001 until February 2007
- Hills Motorway Limited from April 2005 until February 2007.

R B (BRYAN) DAVIS BSc (Tech), FAIMM, MAICD
Independent Non-Executive Director

Age 66. Appointed a Director in December 2004. Mr Davis became Chairman of the Occupational Health, Safety & Environment Committee in August 2005 and is also a member of the Audit & Compliance Committee and the Operational Risk Committee. He is a Non-executive Director of Coal and Allied Industries Limited and Terramin Australia Limited. His previous roles include Non-executive Director of Newcrest Mining Limited, Executive Director – Mining of Pasminco Limited, Director of North Flinders Mine Limited, Chairman of Indophil Resources NL and Bendigo Mining Limited, Executive Director of Australian Consolidated Minerals Group, senior management positions at CRA Limited, Chairman of the NSW Minerals Council and Member of the NSW State Minerals Advisory Council.

Other listed company directorships held during the period 1 July 2006 to 30 June 2009:

- Coal and Allied Industries Limited since September 2000
- Newcrest Mining Limited from April 1998 to October 2008.

E J (EILEEN) DOYLE BMath, MMath, PhD, FAICD
Independent Non-Executive Director

Age 53. Appointed a Director in October 2000. Dr Doyle is a member of the Audit & Compliance Committee, the Occupational Health, Safety & Environment Committee and the Governance & Nominations Committee as well as Chairman of OneSteel's Superannuation Policy Committee. She is also a Director of State Super Financial Services, Ross Human Directions Limited, CSIRO and Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. Her previous roles included Chairman of Port Waratah Coal Services, a Director of Austrade and senior management positions with CSR Timber Products, BHP Steel and Hunter Water Corporation. Other listed company directorships held during the period 1 July 2006 to 30 June 2009:

- Ross Human Directions Limited since July 2005
- Steel & Tube Holdings Limited since July 2005.

C R (COLIN) GALBRAITH, AM LLB (Hons), LLM, FAICD
Independent Non-Executive Director

Age 60. Appointed a Director in October 2000. Mr Galbraith is Chairman of the Governance & Nominations Committee and a member of the Audit & Compliance Committee. He is a Special Adviser at Gresham Partners Limited having previously been a partner at law firm Allens Arthur Robinson specialising in commercial law. He is a Director of Commonwealth Bank of Australia, CARE Australia and the Australian Institute of Company Directors, Chairman BHP Billiton Community Trust and a trustee of Royal Melbourne Hospital Neuroscience Foundation. Previously, he has been a Director of Colonial Group, Azon Limited and GasNet Australia Limited (group). Other listed company directorships held during the period 1 July 2006 to 30 June 2009:

- Commonwealth Bank of Australia since June 2000
- GasNet Australia Limited (group) from December 2001 until November 2006.

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BOARD OF DIRECTORS
(CONTINUED)

P G (PETER) NANKERVIS BEc (Hons), FCPA, GAICD
Independent Non-Executive Director

Age 59. Appointed a Director in December 2004. Mr Nankervis is Chairman of the Audit & Compliance Committee and a member of the Operational Risk Committee. He is also a Director of Dairy Australia Limited and Mitchell Communication Group Limited. Previously he was Chief Financial Officer of Cadbury Schweppes Asia Pacific and Finance Director of Cadbury Schweppes Australia Limited.

Other listed company directorships held during the period 1 July 2006 to 30 June 2009:
- Mitchell Communication Group Limited from 12 March 2007.

D A (DEAN) PRITCHARD BE, FIE Aust, CP Eng, FAICD
Independent Non-Executive Director

Age 64. Appointed a Director in October 2000. Mr Pritchard is a member of the Occupational Health, Safety & Environment Committee, the Human Resources Committee and the Operational Risk Committee. He is Chairman of Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest. He is also a director of OZ Minerals Limited, Spotless Group Limited and Eraring Energy. Previously, he was Chief Executive Officer of Baulderstone Hornibrook, Chairman of ICS Global Limited, and a director of Railcorp and Zinifex Limited.

Other listed company directorships held during the period 1 July 2006 to 30 June 2009:
- ICS Global Limited from June 1999 until June 2007
- Zinifex Limited from March 2004 to July 2008
- Steel & Tube Holdings Limited since May 2005
- Spotless Group Limited since May 2007
- OZ Minerals Limited since June 2008.

N J (NEVILLE) ROACH, AO BA (Hons), DSc (HC), FACS
Independent Non-Executive Director

Age 70. Appointed a Director in October 2000. Mr Roach is a member of the Human Resources Committee, the Occupational Health, Safety & Environment Committee and the Audit & Compliance Committee. He is also Chairman of Smart Internet Cooperative Research Centre, Smart Services Cooperative Research Centre, TCS-FNS Pty Ltd and TCSM Pty Limited and a director of Australian Academic and Research Network. His previous roles include Chairman and Chief Executive Officer of Fujitsu Australia Limited, director of Fujitsu Asia, Deputy Chairman of SBS, Chairman of Council for Multicultural Australia, Business (Migration) Advisory Panel, Australian Information Industry Association, National ICT Australia Limited, Intelligent Island Board and Australia India Business Council, and President Asian Oceanian Computing Industry Organisation.

G J (GRAHAM) SMORGON BJuris LLB
Independent Non-Executive Director

Age 59. Appointed a Director on 17 September 2007. Mr Smorgon became Chairman of the Human Resources Committee in August 2009 and is a member of the Operational Risk Committee and the Occupational Health, Safety & Environment Committee. He is also Chairman of the GBM Group, the Print Mint Group, Smorgon Consolidated Investment and Scental Pacific. He is a Non-Executive Director of OneSteel Limited and Incitec Pivot Limited, Chairman of the Arts Centre Foundation, and a Trustee of The Victorian Arts Centre Trust. His previous roles included Director of Fed Square Pty Ltd, Chairman of Smorgon Steel Group Ltd, President of the Carlton Football Club, Deputy Chairman of Melbourne Health, Director of The Walter and Eliza Hall Institute of Medical Research, Chairman of Creative Brands, Chairman of GBM Logic, Member of the Council of Bialik College, Director of Playbox Theatre Company and Playbox Malthouse Limited, Trustee of the Royal Melbourne Hospital Neuroscience Foundation, Chairman of the RMIT Marketing Industry Advisory Working Committee, and Partner of law firm Barker Harty & Co.

Other listed company directorships held during the period 1 July 2006 to 30 June 2009:
- Smorgon Steel Group Limited from April 1998 until August 2007
- Incitec Pivot Limited since December 2008.

K L (KARA) NICHOLLS BBus, FCIS, MAICD
Company Secretary

Age 33. Ms Nicholls has more than 12 years experience in equity capital markets and brings extensive knowledge of the ASX listing rules, commercial transactions, compliance, corporate governance and administration to OneSteel. Prior to joining the company in August 2009, Kara gained six years experience with the Macquarie Group and more than five years with the Australian Securities Exchange.

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OneSteel Limited listed on the Australian Securities Exchange (ASX) on 23 October 2000. This statement outlines the corporate governance practices adopted by the Board which were in place throughout the financial year and at the date of this report.

Role of Board of Directors

The primary role of the Board is the protection and enhancement of shareholder value. The Board has the responsibility for corporate governance of the company. It oversees the business and affairs of the company, establishes the strategies and financial objectives with management and monitors the performance of management directly and through Board Committees.

The Board has established a framework for the management of the consolidated entity, including a system of internal control and business risk management and appropriate ethical standards.

The agenda for Board meetings is prepared in conjunction with the Chairman and the Managing Director and submissions are circulated in advance. The Board reviews the Company's performance and considers other important matters such as strategic issues, plans, major investment decisions, human resources matters, governance and compliance, and significant management presentations. Executives are regularly involved in Board discussion and directors have other opportunities, including visits to operations, for contact with a wider group of employees.

Board Charter and Corporate Governance Guidelines

The Board has established a Board Charter and Corporate Governance Guidelines. These constitute a reference point for directors, employees and investors in understanding OneSteel's approach to the processes, performance measures, values and ethical standards which govern directors and employees. They are designed to facilitate an evaluation of the company's framework and procedures in the context of ensuring accountability and transparency.

The Guidelines are reviewed at least annually by the Governance & Nominations Committee and then the Board, in the light of the Company's experience, the expectations of its shareholders, changes in the law and the requirements and recommendations of regulatory and other public bodies, including the ASX Corporate Governance Council. The Board Charter and Corporate Governance Guidelines, together with other governance documents, are published on the OneSteel website at www.onesteel.com.

Code of Conduct

The directors embrace the need for and continued maintenance of the highest standards of ethical conduct by all directors and employees of the consolidated entity. The Board has adopted a code of business conduct which formalises the obligation of individuals to act within the law and act honestly and ethically in all business activities. This code of conduct is reviewed by the Governance & Nominations Committee and is distributed to all business units to ensure staff are familiar with its contents.

Composition of the Board and its Committees

The Board consists of 10 directors. The current membership of the Board and its Committees is set out below.

Independence

The Board regularly assesses the independence of each director. For this purpose an independent director is a non-executive director whom the Board considers to be independent of management and free of any business or other relationship that could materially interfere with the exercise of unfettered and independent judgement.

In addition to being required to conduct themselves in accordance with the principles for directors' conduct and responsibilities of directors outlined in the Board Charter and Corporate Governance Guidelines, directors must be meticulous in their disclosure of any material contract or relationship in accordance with the Corporations Act. The disclosure also includes interests of family companies, spouses, etc. Directors must strictly adhere to the constraints on their participation and voting in relation to matters in which they may have an interest in accordance with the Corporations Act and OneSteel policies.

Each director (or interests associated with each director) is a shareholder in the company. Each director may be involved with other companies or professional firms that may from time to time have dealings with OneSteel. Directors are meticulous in ensuring that disclosure, as required by law, is made of any dealings and, where requisite, details are set out in the company's Financial Statements.

The Board has assessed that each of the non-executive directors of the company is an independent director. In reaching that determination, in addition to the matters referred to above, the Board has taken into account:

- Specific disclosures made by each director
- Where applicable, the related party dealings with each director, noting that those dealings are not material under accounting standards
- No director is, or is associated directly with, a substantial shareholder of the company
- No non-executive director has ever been employed by OneSteel or any of its subsidiaries
- No director is, or is associated with, a supplier, professional adviser, consultant to or customer of OneSteel that is material under accounting standards.

The Board does not consider that term of service should be considered as a factor affecting the question of independence.

The Board considers that a fixed maximum tenure for directors is not in the company's interests. Instead, it considers that a director should not seek re-election if the Board considers (whether by reason of considerations such as the need for Board renewal and succession, Board size, skill mix, performance or otherwise) it is not appropriate to do so.

DIRECTOR	BOARD MEMBERSHIP	COMMITTEE MEMBERSHIP				
		Governance & Nominations	Operational Risk	Audit & Compliance	Occupational Health, Safety & Environment	Human Resources
P J Smedley	Independent Non-executive	Member	Chairman			Member
G J Plummer	Executive Managing Director					
L G Cox	Independent Non-executive			Member		Member
R B Davis[1]	Independent Non-executive		Member	Member	Chairman	
E J Doyle	Independent Non-executive	Member		Member	Member	
C R Galbraith	Independent Non-executive	Chairman		Member		
P G Nankervis	Independent Non-executive		Member	Chairman		
D A Pritchard	Independent Non-executive		Member		Member	Member
N J Roach[3]	Independent Non-executive			Member	Member	Member
G J Smorgon[2]	Independent Non-executive		Member		Member	Chairman

1. Mr R B Davis was appointed a member of the Audit and Compliance Committee from 19 August 2009.
2. Mr G J Smorgon was appointed a member and Chairman of the Human Resources Committee from 19 August 2009.
3. Mr N J Roach who was Chairman of the Human Resources Committee until 19 August 2009 remains a member of the Committee.

Board evaluation

Each year the directors conduct a formal review to evaluate their performance in meeting shareholder and stakeholder expectations. It is considered that this matter is appropriately reviewed by the whole Board under the direction of the Chairman and not by a Board committee alone. The Chairman discusses individual director contributions with each director face-to-face annually.

Board Committees

The Board Committees are:

- Governance & Nominations
- Audit & Compliance
- Occupational Health, Safety & Environment (OHS&E)
- Human Resources
- Operational Risk.

Ad hoc Committees are established from time to time to deal with matters arising. All Committees have clear mandates and operating procedures, which are reviewed on a regular basis. The Committees operate principally in a review or advisory capacity, except in cases where particular powers are specifically conferred on a Committee by the Board.

The Board Committees meet as required, although the Audit & Compliance Committee and the Occupational Health, Safety & Environment Committee have regular quarterly meetings. The matters dealt with by the Committees are set out below.

Governance & Nominations Committee

The role of the Governance & Nominations Committee is set out in a charter that has been approved by the Board. The responsibilities of the Committee are to:

- Review the corporate governance procedures of the company and any statement on corporate governance and recommend changes to the Board as appropriate
- Assess the necessary and desirable competencies of Board members
- Review Board succession plans
- Ensure there is an appropriate process for evaluation of the Board
- Recommend new nominees for membership of the Board.

The Managing Director and relevant senior staff are invited to Governance & Nominations Committee meetings at the discretion of the Committee.

Audit & Compliance Committee

The role of the Audit & Compliance Committee is set out in a charter which has been approved by the Board. The role of the Committee is to advise on the establishment and maintenance of a framework of internal control and compliance reporting for the management of the company. The responsibilities of the Committee are to:

- Review and report to the Board on half-yearly and yearly financial statements prior to their approval and external release
- Review all significant accounting policy changes and where appropriate recommend them to the Board
- Monitor and report to the Board on the framework, adequacy and security of internal control and accounting and management information systems
- Monitor the working relationship between the internal and external audit functions
- Ensure adequate audit coverage for all major financial risks of the business and report to the Board on any issues arising from this coverage
- Review internal and external audit reports to ensure that, where significant deficiencies in controls or procedures have been identified, management takes prompt remedial action and reports to the Board as appropriate
- Review the annual and half-yearly financial statements with the external auditor, review whether audits have been conducted effectively and report thereon to the Board as appropriate
- Provide an open communication channel between internal and external auditors and the Board
- Review internal and external audit programs, agree fees and recommend to the Board on the appointment or replacement of the internal and external auditors
- Monitor the engagement of the external auditor to undertake non-audit services where the company will accept the auditor's performance of the engagement in accordance with OneSteel's policy on audit independence and non-audit services
- Assess the performance and review the independence of the external auditor including whether the external auditor has met its obligations to ensure its independence having regard to the provision of non-audit services
- Assess the performance and, where appropriate, the independence of the internal auditor
- Monitor and report to the Board on relevant tax and legal matters including tax compliance procedures
- Review major capital project Post Implementation Reviews
- Monitor funding commitments and availability
- Assess and review the business risk process including major customer contracts
- Review major non-financial regulatory matters through the use of a compliance monitoring reporting regime which covers the following areas of exposure:
  - Asset protection including insurance
  - Trade practices
  - Conflict of interest
  - Discrimination and harassment
  - Ethical standards
- Review adequacy of processes to ensure compliance with new or merging government reporting legislation in relation to a carbon pollution reduction scheme and to also review adequacy of controls, risk processes and reporting with respect to any related permits, and
- Approve the internal audit risk assessment and related audit plan.

The Managing Director, relevant senior staff and the internal and external auditors are invited to Audit & Compliance Committee meetings at the discretion of the Committee. The Committee regularly meets with the internal and external auditors without management present.

Occupational Health, Safety & Environment Committee

The role of the Occupational Health, Safety & Environment Committee is set out in a charter which has been approved by the Board. In relation to Occupational Health, Safety and Environment (OHS&E) matters, the role of the Committee includes to monitor and review:

- The effectiveness of the corporate OHS&E policies
- OHS&E legislative compliance
- OHS&E management systems
- OHS&E performance and compliance
- OHS&E assurance and audit schedule compliance and results
- The effectiveness of the OHS&E governance structure
- Outcomes of the company's OHS&E Council management reviews
- The response to all significant incidents
- The Committee reports to the Board on key OHS&E issues and areas of OHS&E focus.

The Managing Director and relevant senior staff are invited to Occupational Health, Safety & Environment Committee meetings at the discretion of the Committee. The Committee regularly visits site operations to obtain an overview of the environment and the safe working operations of these sites.

Human Resources Committee
The role of the Human Resources Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee are to:
- Review the remuneration of non-executive directors and recommend any changes to the Board
- Advise the Board on remuneration policies and practices
- Make recommendations to the Board on remuneration policies and procedures applicable to the executive Lead Team, including recruitment, retention, termination and approve specific arrangements within these policy frameworks
- Advise the Board in relation to share plans
- Review processes relating to the identification and development of high-potential future leaders
- Ensure adequate succession planning is in place for senior executives, and
- Review and recommend superannuation arrangements for senior executives.

The Managing Director and the Executive General Manager Human Resources are invited to the Human Resources Committee meetings at the discretion of the Committee.

Operational Risk Committee
The role of the Operational Risk Committee is set out in a charter which has been approved by the Board. The responsibilities of the Committee are to focus on particular operational and business risks referred to the Committee by the Board. These responsibilities include to:
- Monitor and report to the Board on critical operational and business risks
- Ensure monitoring, review and audit coverage for all operational and business risks are appropriate, and
- Initiate any investigations or review of processes that are deemed appropriate for such specific critical risk.

The Managing Director and relevant senior staff are invited to Operational Risk Committee meetings at the discretion of the Committee.

Remuneration
A detailed Remuneration Report is contained in the Directors' Report of this Annual Report. The report explains the basis for remunerating non-executive directors. The report also explains the structure of, and rationale behind, OneSteel's remuneration practices and the link between the remuneration of employees and OneSteel's performance. Remuneration details of each director and relevant senior management are set out in the Remuneration Report.

Risk management
OneSteel is committed to managing risk to protect our people, the environment, company assets and our reputation as well as to realise opportunities. This risk-based system of internal control helps us to operate effectively and efficiently, achieve business objectives, ensure reliable reporting and comply with applicable laws and regulations.

The Board implements this policy by overseeing the establishment and implementation of the risk management system, reviewing the effectiveness of the company's implementation of that system and ensuring investors are informed of material changes to the Company's risk profile. The Board is assisted in this process through the Audit & Compliance Committee, the Occupational, Health, Safety & Environment Committee and the Operational Risk Committee.

The Committees assist the Board in implementing this policy by focusing the company on risk oversight and management and on internal control. The Committees oversee the establishment of policies on risk oversight and management.

The Committees provide advice to the Board and report on the status of the company's business risks through integrated risk management programs. These management programs cover areas such as the environment, occupational health and safety, operations, asset protection, financial reporting and internal control. Except for financial reporting and treasury risk, which are handled centrally, each business operational unit is responsible and accountable for implementing and managing to the standards required by risk management programs.

Management implements this policy by establishing and implementing a system for identifying, assessing, monitoring and managing material risk throughout the company. A description of the risk management system and the nature of the risks are included in the section of the Annual Report on pages 37 and 38.

A copy of the OneSteel Risk Policy is available at the Company's website.

Chief Executive Officer & Chief Financial Officer Certification
In accordance with section 295A of the Corporations Act, the Chief Executive Officer and Chief Financial Officer have provided a written statement to the Board that:
- their view provided on the company's financial report is founded on a sound system of risk management and internal compliance and control which implements the financial policies adopted by the Board; and
- the company's risk management and internal compliance and control system is operating effectively in all material respects in relation to financial reporting risks.

The Board notes that due to its nature, internal control assurance from the Chief Executive Officer and the Chief Financial Officer can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence available is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in control procedures. In response to this, an internal control certificate is completed by the chief executives and finance managers of all OneSteel business units or functions, in support of these written statements.

External audit
The external audit of OneSteel is governed by the following principles:
- The external auditor must clearly demonstrate its independence
- The external auditor must not provide services which are in conflict with the role of an auditor unless Audit & Compliance Committee approval is obtained for the service
- The quality of the audit is reviewed annually
- The lead audit partner and the independent review partner are to be rotated at the end of a period no longer than five years
- The appropriateness of putting the audit to tender is reviewed at the end of a period no longer than five years, and
- The services and fees provided by the external auditor are fully disclosed.

Our external auditor attends the company's annual general meeting each year to be available to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

Dealing in company shares
Current shareholdings of directors are shown on page 47 of the Remuneration Report. Directors and senior management are precluded from trading in OneSteel shares at any time if they are aware of price sensitive information that has not been made public. Subject to that overriding rule, company policy permits directors and senior management to deal in company shares in the four week periods from the date of:

- The Company's annual general meeting
- Release of the half-yearly announcement to the ASX
- Release of the full year announcement to the ASX, and
- Release of a disclosure document or cleansing notice in connection with an offering of equity securities in the company.

Directors and senior management are cautioned of the rules regarding buying or selling OneSteel shares at any time if they are aware of price sensitive information that has not been made public.

Directors and employees must not engage in hedging arrangements (such as collar transactions involving put and call options) over unvested shares or options in a Company Share or Option Plan. In addition, the company's policy and the Corporations Act 2001 restrict the use of hedging arrangements over vested shares or options in company plans and shares withdrawn from those plans.

Directors and senior management may also acquire shares on the market under company share plans. The amount to be invested must be specified at least six months ahead. The amount is invested in equal monthly instalments with payment being made by way of deduction from the participant's remuneration. The plans are administered by an independent trustee.

Executive directors have entitlements to shares and options under the Executive Directors' Long-Term Incentive Plan, subject to performance hurdles being met.

Access to independent professional advice
For the purposes of the proper performance of their duties relating to the company, directors are entitled to obtain independent professional advice at the company's expense following approval by the Chairman. The advice is treated as advice to the Board.

Disclosure
OneSteel has in place comprehensive policies and procedures for the purpose of compliance with our continuous and periodic disclosure obligations under the ASX Listing Rules and the Corporations Act, including a Continuous Disclosure Policy. The policy is published on our website. The Company Secretary has primary responsibility for ASX and Australian Securities and Investments Commission (ASIC) disclosure requirements.

Communications to shareholders
The Board aims to ensure that shareholders are informed, in a timely and readily accessible manner, of all major developments affecting the consolidated entity's state of affairs.

Information is provided to shareholders through:

- Releases to the ASX in accordance with continuous disclosure obligations
- The annual report
- The annual general meeting
- Media coverage of significant announcements, and
- Extensive use of OneSteel's website.

Shareholders may choose to receive company information electronically by registering their email address online with the company's shareholder registry. The procedure for registering is explained in the Shareholder Information section of OneSteel's Annual Report and on the Company's website.

The company's website at www.onesteel.com includes:

- Announcements lodged with the ASX
- The half-yearly and full year results announcements
- The annual report and notice of annual general meeting
- The Chairman's and CEO's address to the Annual General Meeting
- Webcasts of Annual General Meetings
- Webcasts of half-yearly/full year results presentations to fund managers and financial analysts
- Other presentations and briefings given to fund managers and financial analysts including those during site visits, and
- General information on the company and its activities.

The company's website also has a Corporate Governance section where Board and Board Committee charters are published as well as other company policies that are likely to be of interest to shareholders and potential investors.

The annual general meeting provides an important opportunity for shareholders to express views and respond to Board proposals. Shareholders are encouraged to attend the annual general meeting.

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Your directors submit their report for the year ended 30 June 2009.

Directors

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

P J Smedley
L G Cox
R B Davis
E J Doyle
C R Galbraith
P G Nankervis
G J Plummer
D A Pritchard
N J Roach
G J Smorgon

Details of the qualifications, experience and responsibilities of the directors are set out on page 39 and 40 of the Annual Report.

Principal activities

The principal activities of the OneSteel Group during the financial year were the mining and supply of steelmaking raw materials to steel mills operated in Australia and overseas; recycling of ferrous and non-ferrous scrap metal and the manufacture and distribution of steel long products.

The OneSteel Group manufactures and distributes a wide range of products including structural, rail, rod, bar, wire and pipe and tube products. In addition, OneSteel distributes sheet and coil, piping systems, plate and aluminium products. OneSteel owns 50.3% of the ordinary shares of Steel & Tube Holdings Limited, a steel distribution company listed in New Zealand.

There were no significant changes in the nature of the Group's activities during the year.

Review of operations

A review of the operations of the OneSteel Group during the financial year and the results of those operations is contained in pages 1 to 38 of the Annual Report.

Net profit after income tax attributable to members of the parent entity for the financial year was $229.5m (2008: $244.9m) with earnings per share of 22.58 cents (2008: 29.45 cents). The net profit for the year includes the impact of restructuring costs of $46.5m (2008: $70.1m), tax consolidation benefit of $15.3m (2008: nil) and over provision of tax in prior years of $45.4m (2008: nil).

Dividends

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

	$ million
Final dividend 4.0 cents per share payable on 15 October 2009, unfranked on fully paid shares	53.0
Interim dividend 6 cents per share paid on 16 April 2009, fully franked at a 30% tax rate on fully paid shares	53.0
Final dividend 13.5 cents per share paid on 16 October 2008, fully franked at a 30% tax rate on fully paid shares	118.6

Significant changes in the state of affairs

During the year, contributed equity increased by $789.3m as the result of the Placement and Entitlement Offer in April and May 2009. Details of changes in contributed equity are disclosed in Note 20 to the financial statements.

The net cash received from the increase in contributed equity was used principally to repay interest-bearing liabilities.

There were no other significant changes in the state of affairs of the OneSteel Group that occurred during the year. Commentary on the overall state of affairs of the OneSteel Group is set out on pages 1 to 44 of the Annual Report.

Environmental regulation and performance

The OneSteel Group is subject to significant environmental regulation in respect of its mining and manufacturing activities. Environmental performance obligations are monitored by management and the Board of Directors and are periodically subjected to internal, independent external and government agency audits and site inspections. The Environment Report is set out on pages 35 and 36 of the Annual Report.

Directors' meetings

The number of directors' meetings held, including meetings of committees of directors, and number of meetings attended by each of the directors during the financial year are listed below. The roles and membership details of each of the Committees are described on pages 41 to 44 of the Annual Report.

Company Secretary

Information on the qualifications and experience of the company secretary is set out on page 40 of the Annual Report.

No officers are former auditors

No officer of the OneSteel Group 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 OneSteel Group during the year ended 30 June 2009.

Directors	Board of Directors	Governance & Nominations Committee	Audit & Compliance Committee	Occupational, Health, Safety & Environment Committee	Human Resources Committee	Operational Risk Committee
Number of meetings held	14	2	6	4	4	–
Number of meetings attended						
P J Smedley	14	2	4	–	4	–
L G Cox	14	–	6	–	4	–
R B Davis	13	–	1	4	1	–
E J Doyle	14	2	6	4	1	–
C R Galbraith	14	2	6	–	1	–
P G Nankervis	14	–	6	–	1	–
G J Plummer	14	2	5	4	4	–
D A Pritchard	14	–	1	3	4	–
N J Roach	14	–	5	4	4	–
G J Smorgon	14	–	1	4	2	–

Note: Attendance at Board Committee meetings during the year included directors who are not members of that committee.
All directors attended the last annual general meeting held on 17 November 2008.

Share rights and options
During or since the end of the financial year, there were no options granted over unissued shares. There were 761,126 rights over ordinary shares and nil options that vested under the terms of the Long-Term Incentive Plan during the year.

During, or since the end of the financial year, the company has issued 35,332 ordinary shares as a result of the exercise of options. Details relating to the exercise of these options are included in Note 29 of the financial report. There are no amounts unpaid on the shares issued.

At the date of this report, exercisable options over ordinary shares of the company are:

EXPIRY DATE	EXERCISE PRICE	NUMBER OF SHARE OPTIONS
15 December 2009	$0.9258	94,506
21 December 2010	$1.0434	238,000

The options do not entitle the holder to participate in any share issue of the company. Shares held in trust under the Long Term Incentive Plan carry voting rights.

Directors' Interests
No director, either directly or indirectly, exercised an option over ordinary shares or was granted rights over ordinary shares during the financial year other than Mr G J Plummer who was granted rights to 65,110 ordinary shares under the OneSteel Long-Term Incentive Share Plan. These share rights will vest between 1 July 2011 and 1 July 2013 subject to performance hurdles. No rights to ordinary shares vested to Mr Plummer during the financial year.

The relevant interest of each director in the shares, rights to shares, options or other instruments of the company and related bodies corporate are:

DIRECTORS	SHARES	SHARE RIGHTS	OPTIONS
P J Smedley	410,455	-	-
L G Cox	301,797	-	-
R B Davis	68,995	-	-
E J Doyle	169,245	-	-
C R Galbraith	156,056	-	-
P G Nankervis	46,890	-	-
G J Plummer	1,683,979	698,251	90,000
D A Pritchard	143,921	-	-
N J Roach	386,739	-	-
G J Smorgon	66,325	-	-

Full details are set out in Note 30 of the financial report.

Matters subsequent to the end of the financial year
There have been no circumstances arising since 30 June 2009 that have significantly affected or may significantly affect:

(a) the operations;

(b) the results of those operations; or

(c) the state of affairs of the entity or consolidated entity in future financial years.

Future developments
Certain likely developments in the operations of the OneSteel Group known to the date of this report have been covered generally within the Annual Report.

Interests of non-executive directors in contracts or proposed contracts with the company
Directors of OneSteel Limited have declared their interests in contracts or proposed contracts that may result from their directorships of other corporations, as listed in their personal profiles set out on pages 39 and 40 of the Annual Report.

In August 2007, OneSteel Limited, SSX Pty Limited (previously named Smorgon Steel Group Limited) and Smorgon Consolidated Investments Pty Ltd (of which G J Smorgon is a director), entered into a Deed of Restricted Licence under which Smorgon Consolidated Investments Pty Ltd granted OneSteel Limited and members of the SSX Pty Limited group a licence to use the Smorgon name for a transitional period of two years following the acquisition of SSX Pty Limited by OneSteel Limited. No payment was made in respect of the grant of the licence.

Members of the OneSteel Group had normal business transactions with directors (or director-related entities) of the parent entity and its controlled entities during the year.

Loans to directors and executives
There were no loans made to or outstanding with directors or executives.

Indemnification and insurance of officers
The company has agreements with each of the directors of the company in office at the date of this report, and certain former directors, indemnifying these officers against liabilities to any person other than the company or a related body corporate that may arise from their acting as officers of the company, notwithstanding that they may have ceased to hold office, except where the liability arises out of conduct involving a lack of good faith.

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 and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contract.

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

In accordance with advice from OneSteel's Audit & Compliance Committee, 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. Also in accordance with advice from OneSteel's Audit & Compliance Committee, the directors are satisfied that the nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Details of the amounts paid or payable to the auditor, KPMG, for the provision of non-audit services during the year ended 30 June 2009 are as follows:

Assurance related $380,136
Tax compliance services: $8,179

Rounding of amounts
The company is of the kind referred to in Australian Securities and Investments Commission (ASIC) Class Order 98/0100 dated 10 July 1998 and in accordance with that Class Order, amounts 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
To the directors of OneSteel Limited

I declare that to the best of my knowledge and belief, in relation to the financial year ended 30 June 2009 there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

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DIRECTORS' REPORT

REMUNERATION REPORT

INTRODUCTION AND SUMMARY OF CONTENTS

The directors of OneSteel Limited present the Remuneration Report of the Group. This Remuneration Report has been prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001 and has been audited.

Remuneration governance and the Human Resources Committee

The Board is responsible for remuneration decisions at the OneSteel Group. To assist the Board, governance and oversight of remuneration is delegated to the Human Resources Committee. The Human Resources Committee is responsible for:

- Reviewing remuneration policies and practices including the structure and quantum of awards under the Short-term Incentive (STI) and Long-term Incentive (LTI) plans for executives
- The Group's superannuation arrangements for executives, and
- The fees for non-executive members of the Board (within the aggregate amount approved by shareholders).

Performance reviews, succession planning and remuneration recommendations for the Managing Director and Chief Executive Officer (MD & CEO) and executives directly reporting to the MD & CEO are matters referred to and considered by the Human Resources Committee.

The Human Resources Committee has access to independent advice and comparative studies on the appropriateness of remuneration arrangements. The Human Resources Committee makes recommendations to the Board. The Board makes final remuneration decisions in respect of non-executive directors and the Lead Team (see "Definitions" below).

Definitions

For the purpose of this report:

- Key Management Personnel (KMP) are those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity of OneSteel either directly or indirectly, including the CEO of Steel & Tube Holdings Limited, a New Zealand listed company in which OneSteel holds a 50.3% interest, and all the directors of OneSteel Limited (executive and non-executive)
- The term "Lead Team" encompasses the MD & CEO and direct reports to the MD & CEO.

Contents of the Remuneration Report

The Remuneration Report outlines OneSteel's remuneration strategy, the components of remuneration for KMP, including non-executive directors 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 2009. The report is divided into the following sections:

A. Non-executive director remuneration
B. Overview of executive remuneration strategy and structure
C. Executive remuneration
D. Group performance – the link to reward
E. Details of non-executive director and executive remuneration for the year ended 30 June 2009
F. Executive service agreements

A. NON-EXECUTIVE DIRECTOR REMUNERATION

The Board, in conjunction with the Human Resources Committee, seeks to establish non-executive director remuneration at a level that enables OneSteel to attract and retain directors of the highest calibre at a cost that is responsible and acceptable to shareholders.

The remuneration arrangements now applying are in line with industry practices and best practice guidelines and affirm the commitment of the Group to the principles of good corporate governance.

Board policy on non-executive director remuneration

Detailed below are the key principles that underpin the Board's policy on non-executive director remuneration.

Board fees are approved by shareholders

The current aggregate fee pool for non-executive directors of $2,000,000 was approved at the 2006 Annual General Meeting imposed by Article 9.8 of the Constitution of the company and as approved by shareholders under ASX Listing rule 10.17.

Remuneration is designed to preserve independence

The structure of OneSteel's non-executive director remuneration is separate and distinct from that applicable to the Lead Team. Non-executive directors have not been granted shares under the Group's LTI plan, and do not receive any bonus or other performance-based remuneration.

No retirement benefits

No additional benefits (that is, in addition to their existing superannuation entitlements) are paid to non-executive directors upon their retirement from the Board.

Retirement benefit scheme – discontinued

The retirement benefit scheme in existence until 17 November 2003 was approved by shareholders during OneSteel's public listing in 2000. This retirement benefit was an additional and separate arrangement to the payment of directors' fees.

The retirement benefit scheme was discontinued on 17 November 2003 and the amount of the retirement benefit accrued by each non-executive director up to 17 November 2003 was fixed by reference to length of service up to this date.

For directors who held office on 17 November 2003, a cash benefit under the discontinued retirement benefit scheme will be paid upon the retirement of the director from the Board.

Remuneration reviews

The structure of non-executive director remuneration, the amount and the manner in which it is apportioned amongst directors, is reviewed periodically by the Human Resources Committee and the Board. The Board considers advice from independent external consultants and reviews fees paid to non-executive directors from a cross-section of comparable companies in making determinations.

Remuneration quantum and structure

Directors' fees per annum are currently:

- $435,000 for the Board Chairman, and
- $145,000 for Board directors

These fees represent fixed fees – additional fees are not paid for additional duties such as sitting on Board Committees.

These fees have, since the 2003 Annual General meeting, had a long-term component comprising shares and superannuation (as per the Superannuation Guarantee Levy requirements), plus a cash component as shown below.

[redacted] → In lieu of cash, comprises both the purchase of OneSteel shares, which are held in trust on behalf of non-executive directors until retirement from the Board and superannuation as applicable. The shares are acquired on-market.

CASH (69%) → Cash

Shares in lieu of cash
This long-term component is not paid as cash to the director but applied, excluding any mandatory statutory superannuation contributions, to the on-market purchase of shares in OneSteel. The shares purchased are then held on behalf of each respective director under the terms of the Group's Non-Executive Director Share Plan until the retirement from the Board of the director. Dividends in respect of these shares are paid to directors at the time that dividends are paid to shareholders.

The value of the entitlements under the long-term component of non-executive director fees, to be received by a non-executive director upon retirement, is therefore ultimately tied directly to the market performance of the Group.

The cost of acquiring shares is expensed at the time of purchase in the accounts of the Group.

Review of the non-executive director fee amount
A review of the non-executive director fee amount was conducted by the Group and, in light of current market conditions and the challenges facing the Group, it was decided that there would not be any increases to fee amounts arising out of this review.

Dealing in company shares
Current shareholdings of directors are shown on page 47 of the Directors' Report. Directors and senior management are precluded from trading in OneSteel shares at any time if they are aware of price sensitive information that has not been made public. Subject to that overriding rule, company policy permits directors and senior management to deal in company shares in the four-week periods from the date of:

- The company's annual general meeting
- Release of the half-yearly announcement to ASX
- Release of the yearly announcement to ASX, and
- Release of a disclosure document or cleansing notice in connection with an offering of equity securities in the company.

Directors and senior management are cautioned of the rules regarding buying or selling OneSteel shares at any time if they are aware of price sensitive information that has not been made public.

Directors and employees must not engage in hedging arrangements (such as collar transactions involving put and call options) over unvested shares or options in a company share or option plan. In addition, the company's policy and the Corporations Act 2001 restrict the use of hedging arrangements over vested shares or options in company plans and shares withdrawn from those plans.

Directors and senior management may also acquire shares on the market under company share plans. The amount to be invested must be specified at least six months ahead. The amount is invested in equal monthly instalments with payment being made by way of deduction from the participant's remuneration. The plans are administered by an independent trustee.

Executive directors have entitlements to shares and options under the Executive Directors' Long-Term Incentive Plan, subject to performance hurdles being met.

Review of equity arrangements
As a result of current market conditions and the proposed changes to the taxation of equity plans announced by the Australian Government on 1 July 2009, OneSteel is currently reviewing the structure of its equity plans to ensure that such arrangements meet the commercial objectives of the Group, do not have any adverse tax implications and are aligned with the interests of OneSteel shareholders. The proposed changes may impact the Non-Executive Director Share Plan as well as equity plans for executives and employees.

B. OVERVIEW OF EXECUTIVE REMUNERATION STRATEGY AND STRUCTURE
The objective of OneSteel's executive remuneration framework is to pay market competitive remuneration recognising skills and experience and to reward for performance and the achievement of strategic objectives leading to creation of value for shareholders.

OneSteel seeks to provide competitive remuneration that will attract, develop and retain executives.

OneSteel's remuneration strategy is to target 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 OneSteel's strategy 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 an executive's performance.

Remuneration structure
The diagram below illustrates the structure of OneSteel's executive remuneration arrangements:

[redacted]

→ Variable or "at risk" remuneration

[redacted]

→ Fixed annual reward

In determining the level and composition of executive remuneration, OneSteel draws on internal resources and independent external advisers to ensure its practices are market competitive, flexible and in keeping with emerging trends in good corporate governance.

Remuneration is reviewed annually in July and changes are applied from 1 July for the Lead Team. The Human Resources Committee reviews the MD & CEO's remuneration arrangements. In the case of other Lead Team members, the MD & CEO makes recommendations to the Human Resources Committee. The Board approves all remuneration changes for the Lead Team.

The remuneration structure is designed to ensure that executives have a significant portion of remuneration at risk. The following diagrams set out the policy "mix" of fixed and "at risk" pay (as a proportion out of a total 100%) for the MD & CEO and Lead Team.

MD & CEO	LEAD TEAM
[redacted]	[redacted]
STI (24%)	STI (20%)
FIXED ANNUAL REWARD (40%)	FIXED ANNUAL REWARD (60%)

C. EXECUTIVE REMUNERATION
For the Lead Team, remuneration consists of fixed annual reward (incorporating consideration for a base salary and other benefits including superannuation, salary sacrifice items and fringe benefits) and "at risk" components.

The "at risk" component comprises:

- Short-term Incentives (STI), giving executives the opportunity to earn a cash bonus, contingent upon performance against a combination of OneSteel Group financial and safety targets, and individual key performance indicators, and
- Long-term Incentives (LTI), giving executives the opportunity to acquire OneSteel shares where they succeed in achieving outcomes linked to the creation of long-term sustainable growth for shareholders over a three-year period.

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 as well as competitive in the market. Salaries are reviewed annually. The process entails review of Group, business unit and individual performance, comparative market and internal remuneration information, and as appropriate, independent external advice on policies and practices.

Members of the Lead Team are provided flexibility to receive their fixed annual reward in a variety of forms, including cash, superannuation and fringe benefits (such as motor vehicles).

No increases to fixed annual reward from annual review
The Group undertook its FY10 annual review of remuneration for executives and, in light of current market conditions and the challenges facing the Group, decided that there would not be any increases to fixed annual reward arising out of this review.

Short-term Incentives (STI)
The STI aims to reward participating employees for the achievement of agreed financial, safety, business and personal goals. It is administered over a 12-month period, aligned with the financial year.

The performance conditions used for the STI plan are established each year by the Board for the Lead Team. The Lead Team then sets the individual safety, business and personal goals for other employees. The STI performance conditions vary depending on the individual executive's position, and include both financial and non-financial measures. The specific measures are derived from OneSteel budgets and business plans, incorporate "stretch" targets, and are dependent on the achievement of continuous improvement. Satisfactory performance is a prerequisite for participation in the STI. Participation may be suspended or reduced where a participant has fallen short of performance expectations. OneSteel 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.

Payments under the STI plan are based on a set percentage of salary for achievement of goals. Payments can range from nil to 200% of the target range. For achievement of 100% of target performance, the STI is designed to represent 24% of total remuneration for the MD & CEO and 20% of total remuneration for other Lead Team members. The STI plan and the performance conditions which apply have been designed to motivate and reward high performance. No payments are made where minimum performance is not exceeded. If performance exceeds the already challenging targets and stretch performance is attained, the STI plan will deliver a greater reward to executives. Note that STI payments are not paid for the maintenance of previously attained performance levels. As a result of current market conditions and to more closely align the STI plan with the Group's mid-term business objectives, a higher weighting on OneSteel financial targets will apply to STI opportunities in FY10.

Executives participate in an annual performance review process that assesses performance against key accountabilities and job goals. Performance against these accountabilities and goals impacts directly on STI payments. STI payments may be reduced or withheld if the executive is assessed to fall substantially short of performance expectations or has failed to demonstrate minimum required leadership behaviours or operating style. Lead Team members' actual STI payments are subject to final approval by the Board. In addition to an annual performance review, there is an ongoing process for regular performance discussions during the financial year. The process ensures there is clarity in the communication and understanding of key business drivers and targets. These performance discussions also serve to provide feedback, to plan development initiatives and to aid succession planning.

The STI is normally paid in cash but individuals may salary-sacrifice awards, for example, into superannuation or the purchase of OneSteel shares. If an executive ceases employment with OneSteel before STI targets are achieved for the relevant year, then the executive will generally not be entitled to receive an STI payment.

No STI payments in FY09
As a result of current market conditions, no STI payments will be made with respect to FY09.

Long-term Incentives (LTI)
The objective of the LTI plan is to reward the participating executives for the sustained creation of shareholder wealth.

The LTI plan is an equity incentive plan linked to the achievement of specific strategic objectives over a three-year performance period. The plan is designed to drive the achievement of strategic long-term business objectives and to link remuneration to the achievement of those objectives. Participation in the LTI plan is only offered to the Lead Team and selected employees who are able to significantly influence OneSteel's performance over the long term and therefore the creation of shareholder wealth.

At full vesting, the LTI opportunity is intended to represent approximately 36% of total remuneration for the MD & CEO and approximately 20% of total remuneration for other Lead Team members. The LTI plan is delivered in OneSteel shares, which are held in trust on the participant's behalf during the performance period. Dividends in respect to shares held in trust during the performance period are distributed to the executive in accordance with their respective grants at the time the dividend is paid by OneSteel. The value of dividends is included as part of the overall valuation of an executive's remuneration package for the purposes of market comparisons. Participants in the LTI plan are not able to withdraw their shares from the trust until the shares vest as a result of the performance conditions above being achieved.

The performance conditions of the LTI plan are based on the performance of OneSteel's Total Shareholder Return (TSR). TSR measures the percentage growth in a company's share price together with the value of dividends received during the period, assuming that all of those dividends are reinvested into new shares.

For the shares to vest to executives, the following TSR performance conditions must be achieved:

- For 50% of the shares, vesting will be dependent on OneSteel's TSR performance compared with the TSR performance of companies within the S&P/ASX 200 index, excluding banks, media and telecommunications (the "Comparator Index"), and
- For the remaining 50% of the shares, vesting will be dependent on OneSteel's TSR performance relative to (the "Base Index") Australian CPI plus 5%.

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OneSteel's TSR performance against the Comparator Index
Fifty percent of the total shares awarded vest to participants at the end of the three-year performance period subject to the performance of OneSteel's TSR against the Comparator Index as at the start of the Performance Period.

Shares granted and subject to the Comparator Index performance hurdle vest according to the following schedule:

RELATIVE PERFORMANCE OF ONESTEEL'S TSR AGAINST CONSTITUENTS OF THE COMPARATOR INDEX OVER THE PERFORMANCE PERIOD	PERCENT VESTING
Below the 50th percentile	No vesting
At the 50th percentile	50% vesting
Between the 50th percentile and 75th percentile	Pro-rata straight-line between 50% and 100%
At or above the 75th percentile	100% vesting

OneSteel's TSR performance against the Base Index
Fifty percent of the total shares awarded vest to participants at the end of the three-year performance period subject to the performance of OneSteel's TSR relative to the Base Index.

Shares granted and subject to the Base Index performance hurdle vest according to the following schedule:

PERFORMANCE AGAINST BASE INDEX	PERCENT VESTING
Up to and including 60%	No vesting
61% to 80%	60%
81% to 99%	80%
100% and over	100%

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 yearly for the current MD & CEO and every six months for other executives over a two-year period. Prior to the approval of the vesting of shares, the Board obtains independent external verification that vesting conditions have been satisfied. If an executive ceases employment with OneSteel before the performance condition is tested, then the executive's unvested shares will generally lapse. However, all or some of the shares may vest to an executive on ceasing employment when special circumstances apply. At the discretion of the Board these special circumstances include redundancy, death and permanent disability.

Details of equity-based compensation provided to KMP of OneSteel are shown in section E of this report.

Participation in other equity plans
Along with all Australian resident permanent employees of OneSteel, executives are eligible to participate in either the Tax Exempt or Tax Deferred Share Plans. Under these plans, employees are able to make salary sacrifice contributions to purchase shares on-market on a monthly basis. Details of the Tax Exempt and Tax Deferred Share Plans are set out in Note 29 to the financial statements.

D. GROUP PERFORMANCE - THE LINK TO REWARD
As discussed earlier in this Remuneration Report, a key underlying principle of OneSteel's executive remuneration strategy is that remuneration should be strongly linked to Group performance.

A significant portion of payments under the STI plan and vesting of awards under the LTI plan are contingent upon the financial performance of the Group.

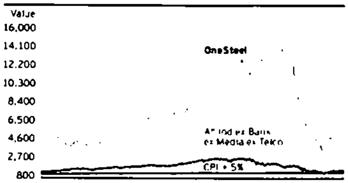
The table below shows underlying NPAT, EPS, and dividends per share performance over the last five years, together with the aggregate spend on KMP STI payments.

GROUP FINANCIALS				
Year ended 30 June	NPAT - Underlying ($m)	EPS - Underlying (cents)[1]	Dividends per share (cents)	KMP STI paid ($m)
2009	215.3	16.3	10.0	0.5
2008	315.0	36.0	21.5	2.8
2007	197.5	34.5	18.5	3.2
2006	171.6	30.3	17.0	2.3
2005	153.1	27.3	13.5	2.1

(1) Based on number of shares outstanding at 30 June.

The graph below demonstrates performance against the designated LTI performance hurdles by OneSteel over the LTI vesting period. The graph compares the OneSteel TSR against the Comparator Index (the S&P/ASX 200 Index excluding banks, media and telecommunications) and the Base Index (the Australian Consumer Price Index plus 5%).

OneSteel Total Shareholder Return
June 2004 to June 2009



Source: Standard and Poors

E. DETAILS OF NON-EXECUTIVE DIRECTOR AND EXECUTIVE REMUNERATION FOR THE YEAR ENDED 30 JUNE 2009
Details of remuneration paid to directors and executives meeting the definition of KMP under AASB 124 Related Party Disclosures of OneSteel Limited and the OneSteel Group are set out below.

This includes the five company and Group executives who received the highest remuneration for the year ended 30 June 2009.

N Calavrias
Chief Executive Officer, Steel & Tube Holdings Limited (until 30 April 2009)

A Candy
Acting Chief Executive Officer, Steel & Tube Holdings Limited (appointed 1 May 2009)

A J Reeves
Chief Financial Officer

M R Parry
Chief Executive, Whyalla

A G Roberts
Chief Executive, Market Mills

L J Selleck
Executive General Manager Technology, Safety & Services

R Jansen
Executive General Manager, Recycling (until 30 September 2008)

G A Waters
Chief Executive, Recycling (appointed 1 October 2008)

S H Hamer
Chief Executive, Distribution

C R Keast
Executive General Manager, Rod, Bar & Wire (until 27 February 2009)

A H Combe
Executive General Manager, Distribution (until 27 February 2009)

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(a) Compensation of Key Management Personnel

	Short-term benefits			Post-employment benefits	Other long-term benefits	Termination benefits	Share-based payments	Total	Total performance related
	Salary and fees $	Cash bonus[3] $	Non-monetary benefits[1] $	Superannuation $	Cash bonus $	$	Shares and share rights[1][2] $	$	%
2009									
Directors[6]									
P J Smedley	300,000	-	-	-	-	-	135,000	435,000	-
G J Plummer	1,556,382	Nil	86,754	100,100	-	-	1,131,947	2,875,183	39.4
R B Davis	100,000	-	1,092	9,000	-	-	35,999	146,091	-
E J Doyle	100,000	-	1,092	9,000	-	-	35,999	146,091	-
C R Galbraith	100,000	-	1,101	9,000	-	-	35,999	146,100	-
P G Nankervis	100,000	-	-	9,000	-	-	35,999	144,999	-
D A Pritchard	100,000	-	2,914	9,000	-	-	35,999	147,913	-
N J Roach	100,000	-	1,092	9,000	-	-	35,999	146,091	-
L G Cox	100,000	-	-	9,000	-	-	35,999	144,999	-
G J Smorgon	100,000	-	1,101	9,000	-	-	35,999	146,100	-
Executives									
A J Reeves	731,052	Nil	50,426	73,627	-	-	235,139	1,090,244	21.6
L J Selleck	494,557	Nil	-	66,765	-	-	171,557	732,879	23.4
M R Parry	535,304	Nil	44,687	52,840	-	-	173,731	806,562	21.5
A G Roberts	540,208	Nil	10,696	53,065	-	-	173,187	777,156	22.3
S H Hamer	530,468	Nil	16,563	52,131	-	-	168,297	767,459	21.9
G A Waters	325,377	Nil	23,750	34,529	-	-	44,588	428,244	10.4
C R Keast[5]	352,585	100,000	-	34,605	-	1,085,055	197,410	1,769,655	16.8
A H Combe[5]	423,083	100,000	-	41,558	-	1,003,383	21,114	1,589,138	7.6
R Jansen[4]	180,000	-	-	-	-	-	-	180,000	-
N Calavrias	487,968	292,781	80,695	-	569,295	922,259	-	2,352,998	36.6
A Candy	64,417	81,328	-	-	-	-	8,362	154,107	58.2
Total	7,321,401	574,109	321,963	581,220	569,295	3,010,697	2,748,324	15,127,009	

	Short-term benefits			Post-employment	Other long-term benefits	Termination benefits	Share-based payments	Total	Total performance related
	Salary and fees $	Cash bonus[3] $	Non-monetary benefits[1] $	Superannuation $	Cash bonus $	$	Shares and share rights[1][2] $	$	%
2008									
Directors[6]									
P J Smedley	295,000	-	11,625	-	-	-	132,754	439,379	-
G J Plummer	1,333,593	1,000,000	73,652	124,460	-	-	1,656,119	4,187,824	63.4
R B Davis	98,333	-	2,852	8,850	-	-	35,402	145,437	-
E J Doyle	98,333	-	2,816	8,850	-	-	35,402	145,401	-
C R Galbraith	98,333	-	-	8,850	-	-	35,402	142,585	-
P G Nankervis	98,333	-	1,552	8,850	-	-	35,395	144,130	-
D A Pritchard	98,333	-	2,021	8,850	-	-	35,402	144,606	-
N J Roach	98,333	-	3,007	8,850	-	-	35,402	145,592	-
L G Cox	78,836	-	-	7,095	-	-	28,378	114,309	-
G J Smorgon	78,836	-	1,560	7,095	-	-	28,378	115,869	-
Executives									
N Calavrias	579,622	85,048	-	43,054	171,714	-	-	879,438	29.2
A J Reeves	673,931	301,000	78,201	68,137	-	-	204,136	1,325,405	38.1
L J Selleck	460,205	206,000	33,800	62,100	-	-	146,516	908,621	38.8
M R Parry	484,692	258,000	-	47,312	-	-	149,672	939,676	43.4
C R Keast	468,171	228,000	-	46,302	-	-	149,672	892,145	42.3
A Roberts	443,252	249,000	-	43,301	-	-	145,763	881,316	44.8
A H Combe	576,526	172,000	-	57,018	-	-	136,712	942,256	32.8
S H Hamer	385,011	194,000	11,302	38,077	-	-	114,729	743,119	41.5
R Jansen[4]	519,355	150,000	-	-	-	-	-	669,355	22.4
Total	6,967,028	2,843,048	222,388	597,051	171,714	-	3,105,234	13,906,463	

Notes

(1) The value recorded for non-executive directors under share-based payments represents the long-term component of directors' remuneration commenced after the annual general meeting on 17 November 2003. This amount has been accrued during the year with the purchase of shares occurring at the trading windows available under OneSteel's policy on dealing in company shares.

(2) The share rights have been valued using a Monte Carlo Simulation option pricing model, modified to incorporate an estimate of the probability of achieving the TSR hurdle and the number of share rights vesting. The value of the share rights has been apportioned over the three-year vesting period.

(3) Cash bonuses are in respect of short-term incentives, except for N Calavrias, whose payments include a long-term component.

(4) R Jansen is employed under a contract. The contract will terminate on 31 December 2009. The contract provides for a payment to Mr Jansen of $240,000 upon termination and is for a non-competition period of four months from the date of termination. R Jansen ceased to be a KMP on 30 September 2008.

(5) C R Keast and A H Combe ceased to be KMP on 27 February 2009. The Board exercised their discretion to provide Messrs Keast and Combe with pro-rata STI payments for the portion of the year completed, on the basis that they left the company due to redundancy.

(6) Directors' fees are comprised of salary and fees, superannuation and shares granted under the long-term component of non-executive directors' remuneration.

(7) Non-monetary benefits include items such as fringe benefits tax paid on benefits provided, rental assistance, living away from home allowance, cost of living allowance, health fund premiums and spouse travel.

(8) Dividends paid to the executives on unvested share rights under the LTI Plan are implicitly included in the fair value of the share-based payment expense recognised as remuneration. Cash dividends paid to the executives on unvested share rights held at the end of the year were: G J Plummer $136,159 (2008: $117,131); A J Reeves $25,683 (2008: $31,278); L J Selleck $18,651 (2008: $17,255); M R Parry $18,651 (2008: $19,470); A G Roberts $18,651 (2008: $18,916); S H Hamer $18,651 (2008: $17,675); G A Waters $4,045 (2008: NA).

(b) Share rights provided as compensation – granted and vested

During the financial year, rights over ordinary shares were granted as equity compensation benefits under the LTI Plan to certain KMP. No shares have been granted to non-executive directors under this scheme. The share rights were granted free of charge and entitle the holder to one fully paid ordinary OneSteel share upon meeting certain performance conditions detailed in Section D of this report.

	VESTED	GRANTED	TERMS AND CONDITIONS FOR EACH GRANT				
	No.	No.	Acquired[2] date	Fair value per right at grant date ($)	Expiry date	First Exercise date	Last Exercise date
2009							
Directors							
G J Plummer	–	65,110	26/08/08	6.01	1/07/11	1/07/11	1/07/13
Executives							
A J Reeves	50,896	49,790	26/08/08	6.01	1/07/11	1/07/11	1/07/13
L J Selleck	35,926	38,300	26/08/08	6.01	1/07/11	1/07/11	1/07/13
M R Parry	47,901	38,300	26/08/08	6.01	1/07/11	1/07/11	1/07/13
C R Keast[1]	105,245	38,300	26/08/08	6.01	1/07/11	1/07/11	1/07/13
A Roberts	44,907	38,300	26/08/08	6.01	1/07/11	1/07/11	1/07/13
A H Combe[1]	33,207	38,300	26/08/08	6.01	1/07/11	1/07/11	1/07/13
S H Hamer	17,963	38,300	26/08/08	6.01	1/07/11	1/07/11	1/07/13
G A Waters	–	67,421	16/10/08	2.79	16/10/11	16/10/11	16/10/13
Total	336,045	412,121					

	VESTED	GRANTED	TERMS AND CONDITIONS FOR EACH GRANT				
	No.	No.	Acquired[2] date	Fair value per right at grant date ($)	Expiry date	First Exercise date	Last Exercise date
2008							
Directors							
G J Plummer	1,143,126	327,680	7/09/07	6.07	20/08/10	20/08/10	20/08/12
Executives							
A J Reeves	85,086	81,920	7/09/07	6.07	20/08/10	20/08/10	20/08/12
L J Selleck	85,086	57,344	7/09/07	6.07	20/08/10	20/08/10	20/08/12
M R Parry	23,824	57,344	7/09/07	6.07	20/08/10	20/08/10	20/08/12
C R Keast	23,824	57,344	7/09/07	6.07	20/08/10	20/08/10	20/08/12
A Roberts	15,315	57,344	7/09/07	6.07	20/08/10	20/08/10	20/08/12
A H Combe	–	57,344	7/09/07	6.07	20/08/10	20/08/10	20/08/12
S H Hamer	27,227	57,344	7/09/07	6.07	20/08/10	20/08/10	20/08/12
Total	1,403,488	753,664					

(1) The Board exercised its discretion upon the termination of C R Keast and A H Combe to allow partial vesting of the unvested shares held in the LTIP. 57,344 shares were vested to C R Keast while 38,300 were forfeited. 33,207 shares were vested to A H Combe while 95,644 were forfeited.

(2) The date the shares were acquired on-market is the same date as the grant of the share rights for the purposes of AASB 2 Share Based Payments.

(c) Compensation options granted and vested during the year

Due to the suspension of the Executive Option Plan there were no grants of options during the year. All outstanding options vested in 2005.

(d) Shares issued on exercise of compensation options

No options were exercised by KMP during the year ended 30 June 2009 or 30 June 2008.

F. EXECUTIVE SERVICE AGREEMENTS

MD & CEO

Mr Plummer was appointed MD & CEO on 2 May 2005 for a fixed term of five years following a period as Deputy Managing Director from 20 December 2004 until 1 May 2005. Effective from 20 August 2007, an amendment was agreed to Mr Plummer's Executive Service Agreement such that it will not terminate at the end of the initial five-year period but instead, will continue on an ongoing basis until terminated by either OneSteel or Mr Plummer in accordance with the termination rights in the original Executive Service Agreement.

Mr Plummer's remuneration comprises three components. These are fixed annual reward, STI and LTI.

COMPONENT	SUMMARY
Fixed annual reward	Mr Plummer is paid a fixed annual reward of $1,700,000 per annum inclusive of superannuation and novated car leases. The fixed annual reward is reviewed by the Board's Remuneration Committee each year and may be increased or remain unchanged (but not be decreased) as a result of this review. There will be no change to Mr Plummer's fixed annual reward for FY10.
STI	The short-term incentive payment in any year will be determined by the Board in consultation with Mr Plummer by assessment of Mr Plummer's performance against financial, business, safety and personal targets set by the Board in consultation with Mr Plummer at the start of each financial year. There will be no STI payment related to the FY09 period.
LTI	During his term as MD & CEO, Mr Plummer has been granted awards of shares as the long-term component of his remuneration. The shares granted vest according to TSR performance conditions (see Section D for details). The first two grants were as agreed in his original executive employment agreement. Further grants, which are currently unvested, were made on 7 May 2007 (305,461 shares) and on 7 September 2007 (327,680 shares) at the prevailing market price representing one and one third times fixed annual reward. The September 2007 grant coincided with the implementation of the merger with Smorgon Steel. The first vesting opportunity for these grants will be in May 2010 and September 2010, respectively, subject to the achievement of the TSR performance conditions. On 26 August 2008, 65,110 shares were granted at the prevailing market price, representing one quarter of fixed annual reward. The performance period for this grant commenced on 1 July 2008. The first vesting opportunity for this grant will be in July 2011. This grant was part of a planned transition to annual grants of shares. For the 2010 year, a grant of shares has been approved by the Board to the value of 66% of fixed annual reward. These shares will be acquired on-market following the announcement of the company's full year financial result at the prevailing market price, with a performance period commencing 1 July 2009.

In accordance with the ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, Mr Plummer's termination entitlements have been agreed in advance and have been in existence since December 2004. The Board is satisfied, after considering independent advice, that Mr Plummer's termination entitlements as set out in the table below are reasonable having regard to current employment practices.

ISSUE	SUMMARY
Notice of termination	The MD & CEO's employment may be terminated as follows: • OneSteel may terminate the MD & CEO's employment by giving him 12 months' notice. • The MD & CEO is required to provide six months' notice of resignation. Where there is a fundamental change in the business or OneSteel is in breach or default of its obligations under the service agreement, the MD & CEO may provide less than six months' notice. If the MD & CEO terminates his employment within six months after the occurrence of a fundamental change, he will be entitled to a payment equivalent to the aggregate fixed annual reward paid to him over the previous 12 months, in addition to the payments referred to below.
Termination provisions	The termination provisions relating to Mr Plummer's employment are summarised as follows: • If the employment of Mr Plummer terminates by death, illness, incapacity, or by appropriate notice by either party he will be paid his fixed annual reward and any accrued untaken statutory leave entitlements calculated to the termination date. Mr Plummer will also be entitled to be paid 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. • If the employment of Mr Plummer terminates by death, by illness, by incapacity, by appropriate notice by OneSteel or by notice from Mr Plummer due to a fundamental change in the business the Board, in its absolute discretion, will determine whether Mr Plummer may be able to withdraw some or all of the shares granted under the LTI Plan which have not vested. • In the event the termination is as a result of 12 months' notice from OneSteel then Mr Plummer will also be entitled to a payment in lieu of notice of up to the aggregate fixed annual reward paid to Mr Plummer over the previous 12 months. • If, during the employment period, Mr Plummer is terminated for cause, OneSteel will have no further obligations other than the amount of fixed annual reward due to Mr Plummer through to his termination date plus any statutory entitlements such as unpaid amounts of accrued leave.
Non-compete	Upon termination of Mr Plummer's employment for any reason, Mr Plummer is prohibited from engaging in any activity that would compete with OneSteel for a period of 12 months.
Employment contract details	A comprehensive summary of Mr Plummer's initial employment contract was lodged with the Australian Securities Exchange on 20 December 2004 and a summary of the amendments were similarly lodged on 20 August 2007. Copies of these releases are available on the OneSteel website.

Other executive KMP
Outlined below are the key termination entitlements with respect to other executive KMP.

ISSUE	SUMMARY
Termination provisions	OneSteel may terminate employment for cause or not for cause. Depending on individual executives' contracts, if the Group terminates employment, other than for cause, the Group may pay up to 1.0 times fixed annual reward at the time of termination plus the target value of STI. In addition, if the employment of an individual executive terminates at the end of the fixed term or the end of an extension period, by death, by illness, by incapacity, by appropriate notice by OneSteel or by notice from the individual due to a fundamental change in the business the Board, in its absolute discretion, will determine whether the individual may be able to withdraw some or all of the shares granted under the LTI Share Plan which have not vested.
Notice of termination	Senior executives may terminate their employment with three months written notice.
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 OneSteel.

Signed in Sydney this 18th day of August 2009 in accordance with a resolution of the directors.

PETER SMEDLEY / Chairman

GEOFF PLUMMER / Managing Director

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DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

The discussion and analysis is provided to assist readers in understanding the financial report.

OneSteel Limited and its controlled entities (together, the "OneSteel Group") comprise the consolidated entity.

The principal activities of the OneSteel Group during the financial year were:

- Mining of iron ore
- Production of steel
- Manufacture and distribution of steel long products
- Recycling of ferrous and non-ferrous scrap metal.

The consolidated financial statements are prepared on the basis of historical cost, except for derivative financial instruments that have been measured at fair value, applying generally accepted accounting principles.

Income statement
Sales revenue decreased by 3% to $7,241.5m, reflecting lower volumes compared to the previous year due to the impact of the global financial crisis and partly offset by higher average prices in the Australian Distribution and Manufacturing segments.

Finance costs were $172.2m, up from $159.6m in 2008, due to the capitalisation of finance costs related to Project Magnet in the prior year.

Net profit attributable to equity holders of the parent for the financial year was $229.5m. Net profit before the impact of restructuring activities, tax consolidation and over provision of tax in prior years was $215.3m.

Balance sheet
Total assets decreased by $358.4m primarily due to lower receivables as a result of lower sales and improved receivables management.

Total liabilities decreased by $1,265.3m mainly due to lower payables as a result of reduced production levels and purchases, together with a reduction in interest-bearing liabilities as a result of the capital raising in April and May 2009.

Contributed equity increased by $805.3m largely due to the issue of OneSteel Limited shares under the Placement and Entitlement Offers in April and May 2009.

Cash flow statement
Consolidated net cash flow from operating activities increased by $17.2m to $368m, primarily due to lower tax payments during the year, partly offset by restructuring costs paid.

Consolidated net cash outflow from investing activities was $158.3 million, down $577.2m, due to the acquisition of Smorgon Steel Group and Fagersta Steels during 2008 and lower capital expenditure in 2009.

Consolidated net cash outflow from financing activities of $305m was lower than the prior year inflow of $482.0m, primarily driven by proceeds from the equity raising in April and May 2009 used to repay borrowings.

Dividends
The directors have recommended and declared an unfranked final dividend for 2009 of 4.0 cents per share payable on 15 October 2009.

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INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE	Note	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PARENT 2009 $m	PARENT 2008 $m
Sales revenue	4	7,241.5	7,434.3	-	-
Cost of sales		(5,654.0)	(5,753.1)	-	-
Gross profit		1,587.5	1,681.2	-	-
Other revenue	4	39.5	41.0	200.0	203.8
Other income	4	26.8	9.5	-	-
Operating expenses including restructuring activities	4	(1,258.0)	(1,199.4)	(7.6)	(3.8)
Finance costs	4	(172.2)	(159.6)	(35.6)	(37.8)
Share of net loss of investments accounted for using the equity method	11	(0.5)	(13.6)	-	-
Profit before income tax		223.1	359.1	156.8	162.2
Income tax (expense)/benefit		(44.2)	(104.0)	2.1	11.4
Income tax benefit arising from tax consolidation		15.3	-	-	-
Income tax benefit arising from over provision of tax in prior years		45.4	-	22.6	-
Total income tax benefit/(expense)	5	16.5	(104.0)	24.7	11.4
Profit after tax		**239.6**	**255.1**	**181.5**	**173.6**
Profit attributable to minority interests		(10.1)	(10.2)	-	-
Profit attributable to equity holders of the parent	21	**229.5**	**244.9**	**181.5**	**173.6**
Basic earnings per share (cents per share)	6	22.59	27.09		
Diluted earnings per share (cents per share)	6	22.53	26.97		
Earnings per share before the impact of restructuring activities, tax consolidation and over provision of tax in prior years					
Basic earnings per share (cents per share)	6	21.19	34.85		
Diluted earnings per share (cents per share)	6	21.13	34.69		

The above income statement should be read in conjunction with the accompanying notes.

BALANCE SHEET

AS AT 30 JUNE		CONSOLIDATED		PARENT	
	Note	2009 $m	2008 $m	2009 $m	2008 $m
ASSETS					
Current assets					
Cash and cash equivalents	24	54.9	151.2	-	-
Receivables	7	827.1	1,185.3	195.9	29.2
Derivative financial instruments	8	12.6	5.0	-	-
Inventories	9	1,239.9	1,298.9	-	-
Current tax assets		75.8	-	57.3	-
Other financial assets	10	2.2	-	-	-
Other current assets	15	16.6	12.0	-	-
Total current assets		2,229.1	2,652.4	253.2	29.2
Non-current assets					
Investments accounted for using the equity method	11	7.4	7.9	-	-
Derivative financial instruments	8	-	16.4	-	-
Other financial assets	10	-	4.2	3,731.6	3,735.5
Property, plant and equipment	12	2,369.0	2,361.1	-	-
Mine development expenditures	13	108.4	87.7	-	-
Other intangibles and goodwill	14	2,074.6	2,031.3	-	-
Deferred tax assets	5	144.6	130.4	4.3	1.1
Other non-current assets	15	-	0.1	-	-
Total non-current assets		4,704.0	4,639.1	3,735.9	3,736.6
TOTAL ASSETS		**6,933.1**	**7,291.5**	**3,989.1**	**3,765.8**
LIABILITIES					
Current liabilities					
Payables	16	613.7	1,014.8	96.2	-
Derivative financial instruments	8	55.9	6.2	-	-
Interest-bearing liabilities	17	200.8	483.6	-	672.4
Current tax liabilities		-	34.8	-	16.7
Provisions	18	291.0	294.8	-	-
Total current liabilities		1,161.4	1,834.2	96.2	689.1
Non-current liabilities					
Derivative financial instruments	8	58.1	133.6	-	-
Interest-bearing liabilities	17	1,078.0	1,614.8	-	-
Deferred tax liabilities	5	182.9	154.6	-	-
Provisions	18	114.7	118.1	-	-
Retirement benefit obligations	19	1.7	6.8	-	-
Total non-current liabilities		1,435.4	2,027.9	-	-
TOTAL LIABILITIES		**2,596.8**	**3,862.1**	**96.2**	**689.1**
NET ASSETS		**4,336.3**	**3,429.4**	**3,892.9**	**3,076.7**
EQUITY					
Contributed equity	20	3,735.2	2,929.9	3,735.2	2,929.9
Retained earnings	21	561.5	503.6	154.6	144.7
Reserves	22	(21.5)	(61.8)	3.1	2.1
Parent interests		4,275.2	3,371.7	3,892.9	3,076.7
Minority interests		61.1	57.7	-	-
TOTAL EQUITY		**4,336.3**	**3,429.4**	**3,892.9**	**3,076.7**

The above balance sheet should be read in conjunction with the accompanying notes.

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CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE	Note	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PARENT 2009 $m	PARENT 2008 $m
			Inflows/(outflows)		
Cash flows from operating activities					
Receipts from customers		7,626.3	7,380.4	-	3.8
Payments to suppliers and employees		(7,029.8)	(6,773.5)	1.2	(3.8)
Net GST received		5.6	-	-	-
Net GST paid		-	(20.2)	-	-
Dividends received		-	-	200.0	200.0
Interest received		4.4	4.9	-	-
Interest and other finance costs paid		(172.2)	(140.4)	-	-
Income tax paid		(66.3)	(100.4)	(52.1)	(77.2)
Net operating cash flows	24(b)	**368.0**	**350.8**	**149.1**	**122.8**
Cash flows from investing activities					
Purchase of property, plant and equipment		(179.1)	(300.3)	-	-
Mine development expenditure		(3.1)	(1.3)	-	-
Purchase of finite life intangibles		(5.4)	(5.3)	-	-
Proceeds from sale of property, plant and equipment		15.8	3.8	-	-
Proceeds from sale of intangible assets		16.8	-	-	-
Purchase of businesses	24(e)	(3.3)	(4.2)	-	-
Purchase of controlled entities, net of cash acquired		-	(429.0)	-	(650.1)
Redeemable preference shares received from jointly controlled entity		-	0.8	-	0.8
Net investing cash flows		**(158.3)**	**(735.5)**	**-**	**(649.3)**
Cash flows from financing activities					
Purchase of shares under equity-based compensation plans		(5.0)	(7.2)	(5.0)	(7.2)
Proceeds from issue of shares		771.3	0.7	771.3	0.1
Proceeds from borrowings		3,894.2	3,419.0	129.1	-
Repayment of borrowings		(4,796.1)	(2,783.2)	(903.9)	-
Repayment of principal of finance leases		(21.7)	(19.8)	-	-
Loan from related parties		-	-	-	651.7
Dividends paid		(147.7)	(126.7)	(140.6)	(118.1)
Net financing cash flows		**(305.0)**	**482.8**	**(149.1)**	**526.5**
Net increase in cash and cash equivalents		**(95.3)**	**98.1**	**-**	**-**
Cash and cash equivalents at the beginning of the year		108.4	9.6	-	-
Effects of exchange rate fluctuations on cash held		7.5	0.7	-	-
Cash and cash equivalents at the end of the year	24(a)	**20.6**	**108.4**	**-**	**-**

The above cash flow statement should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE	ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT						MINORITY INTERESTS	TOTAL EQUITY
2009	CONTRIBUTED EQUITY							
PARENT	Issued capital $m	Employee compensation shares $m	Total contributed equity $m	Retained earnings $m	Total reserves $m	Total parent interests $m	$m	$m
At 1 July 2008	2,942.1	(12.2)	2,929.9	503.6	(61.8)	3,371.7	57.7	3,429.4
Cash flow hedges:								
- net losses taken to equity	-	-	-	-	(22.9)	(22.9)	-	(22.9)
- transferred to profit	-	-	-	-	(5.3)	(5.3)	-	(5.3)
- transferred to initial carrying amount of hedged items	-	-	-	-	4.8	4.8	-	4.8
Currency translation differences:								
- net investment hedges	-	-	-	-	(11.0)	(11.0)	-	(11.0)
- exchange fluctuations on overseas net assets	-	-	-	-	73.4	73.4	0.6	74.0
Total income and expense recognised directly in equity	-	-	-	-	39.0	39.0	0.6	39.6
Net profit	-	-	-	229.5	-	229.5	10.1	239.6
Total recognised income and expense for the year	-	-	-	229.5	39.0	268.5	10.7	279.2
Share-based payments expense	-	-	-	-	3.9	3.9	-	3.9
Dividends paid	-	-	-	(171.6)	-	(171.6)	(7.1)	(178.7)
Shares issued, net of transaction costs	776.7	-	776.7	-	-	776.7	(0.2)	776.5
Shares issued under a dividend reinvestment plan	31.0	-	31.0	-	-	31.0	-	31.0
Shares issued on exercise of options	-	-	-	-	-	-	-	-
Vested shares	-	2.6	2.6	-	(2.6)	-	-	-
Purchase of shares under equity-based compensation plans	-	(5.0)	(5.0)	-	-	(5.0)	-	(5.0)
At 30 June 2009	**3,749.8**	**(14.6)**	**3,735.2**	**561.5**	**(21.5)**	**4,275.2**	**61.1**	**4,336.3**
2008								
PARENT								
At 1 July 2007	1,163.8	(10.2)	1,153.6	420.3	12.8	1,586.7	63.3	1,650.0
Cash flow hedges:								
- net gains taken to equity	-	-	-	-	33.4	33.4	-	33.4
- transferred to profit	-	-	-	-	(16.6)	(16.6)	-	(16.6)
- transferred to initial carrying amount of hedged items	-	-	-	-	(4.4)	(4.4)	-	(4.4)
Currency translation differences:								
- net investment hedges	-	-	-	-	14.6	14.6	-	14.6
- exchange fluctuations on overseas net assets	-	-	-	-	(101.9)	(101.9)	(7.7)	(109.6)
Total income and expense recognised directly in equity	-	-	-	-	(74.9)	(74.9)	(7.7)	(82.6)
Net profit	-	-	-	244.9	-	244.9	10.2	255.1
Total recognised income and expense for the year	-	-	-	244.9	(74.9)	170.0	2.5	172.5
Share-based payments expense	-	-	-	-	3.7	3.7	-	3.7
Dividends paid	-	-	-	(161.6)	-	(161.6)	(8.6)	(170.2)
Shares issued	1,734.7	-	1,734.7	-	-	1,734.7	0.5	1,735.2
Shares issued under a dividend reinvestment plan	43.5	-	43.5	-	-	43.5	-	43.5
Shares issued on exercise of options	0.1	-	0.1	-	-	0.1	-	0.1
Vested shares	-	5.2	5.2	-	(5.2)	-	-	-
Purchase of shares under equity-based compensation plans	-	(7.2)	(7.2)	-	-	(7.2)	-	(7.2)
Revaluation of property, plant and equipment	-	-	-	-	1.8	1.8	-	1.8
At 30 June 2008	**2,942.1**	**(12.2)**	**2,929.9**	**503.6**	**(61.8)**	**3,371.7**	**57.7**	**3,429.4**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

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STATEMENT OF CHANGES IN EQUITY
(CONTINUED)

FOR THE YEAR ENDED 30 JUNE

2009	CONTRIBUTED EQUITY					
PARENT	Issued capital $m	Employee compensation shares $m	Total contributed equity $m	Retained earnings $m	Total reserves $m	Total equity $m
At 1 July 2008	2,942.1	(12.2)	2,929.9	144.7	2.1	3,076.7
Net profit	–	–	–	181.5	–	181.5
Total recognised income and expense for the year	–	–	–	181.5	–	181.5
Share-based payments	–	–	–	–	3.6	3.6
Dividends paid	–	–	–	(171.6)	–	(171.6)
Shares issued, net of transaction costs	776.7	–	776.7	–	–	776.7
Shares issued under a dividend reinvestment plan	31.0	–	31.0	–	–	31.0
Vested shares	–	2.6	2.6	–	(2.6)	–
Purchase of shares under equity-based compensation plans	–	(5.0)	(5.0)	–	–	(5.0)
At 30 June 2009	**3,749.8**	**(14.6)**	**3,735.2**	**154.6**	**3.1**	**3,892.9**

2008	CONTRIBUTED EQUITY					
PARENT	Issued capital $m	Employee compensation shares $m	Total contributed equity $m	Retained earnings $m	Total reserves $m	Total equity $m
At 1 July 2007	1,163.8	(10.2)	1,153.6	132.7	3.9	1,290.2
Net profit	–	–	–	173.6	–	173.6
Total recognised income and expense for the year	–	–	–	173.6	–	173.6
Share-based payments	–	–	–	–	3.4	3.4
Dividends paid	–	–	–	(161.6)	–	(161.6)
Shares issued	1,734.7	–	1,734.7	–	–	1,734.7
Shares issued under a dividend reinvestment plan	43.5	–	43.5	–	–	43.5
Shares issued on exercise of options	0.1	–	0.1	–	–	0.1
Vested shares	–	5.2	5.2	–	(5.2)	–
Purchase of shares under equity-based compensation plans	–	(7.2)	(7.2)	–	–	(7.2)
At 30 June 2008	**2,942.1**	**(12.2)**	**2,929.9**	**144.7**	**2.1**	**3,076.7**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for OneSteel Limited as an individual entity and the consolidated entity consisting of OneSteel Limited and its subsidiaries.

(a) Basis of preparation
This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001, and applicable Australian Accounting Standards (including Australian Interpretations).

The financial report of OneSteel Limited for the year ended 30 June 2009 was authorised for issue in accordance with a resolution of the directors on 18 August 2009.

It is recommended that the financial report be considered together with any public announcements made by OneSteel Limited and its controlled entities during the year ended 30 June 2009 in accordance with the continuous disclosure obligations of the Corporations Act 2001.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

Compliance with IFRS
The financial report complies with Australian Accounting Standards and International Financial Reporting Standards (IFRS).

Historical cost convention
The financial report has been prepared under the historical cost convention, except for derivative financial instruments that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

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.

(b) Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of OneSteel Limited (the parent entity) as at 30 June 2009 and the results of all subsidiaries for the year then ended. OneSteel Limited and its subsidiaries together are referred to in this financial report as the OneSteel Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

Subsidiaries are fully 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 company, using consistent accounting policies.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

Investments in subsidiaries are accounted for at cost in the individual financial statements of OneSteel Limited.

(c) Business combinations
The purchase method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the fair value of the instruments is their published market price as at the date of exchange, unless, in rare circumstances, it can be demonstrated that the published price at the date of exchange is an unreliable indicator of fair value and that other evidence and valuation methods provide a more reliable measure of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

Except for non-current assets or disposal groups classified as held for sale (which are measured at fair value less costs to sell), all identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of the acquisition is less than the Group's share of the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly in the income statement, but only after a reassessment of the identification and measurement of the net assets acquired.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(d) 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 OneSteel 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.

Group companies
The results and financial position of all Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency 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 are translated at average exchange rates
- All resulting exchange differences are recognised as a separate component of equity.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, a proportionate share of such exchange differences are 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.

(e) Revenue recognition

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 or the service has been delivered and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income is recognised when the right to receive payment is established.

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

(f) Income taxes

The income tax expense or revenue 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.

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 or 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.

Tax consolidation legislation

OneSteel Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

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. Details of the tax sharing agreement are disclosed in Note 5.

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) 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.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority are classified as part of operating cash flows.

(h) 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.

(i) 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 debt provided for is recognised in the income statement within other 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 other expenses in the income statement.

(j) 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(k) Investments and other financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit and loss, loans and receivables held to maturity investments, and available for sale financial assets. 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.

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.

Available for sale investments
Available for sale investments are those non-derivative financial assets that are designated as available for sale or are not classified in any of the three preceding categories. After initial recognition, available for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in Equity is recognised in the Income Statement.

(l) Investments accounted for using the equity method
Investments in jointly controlled entities and associates are accounted for in the parent entity financial statements using the cost method and in the consolidated financial statements by applying the equity method of accounting, after initially being recognised at cost. Under the equity method, investments in jointly controlled entities and associates are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the jointly controlled entity or associate. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in jointly controlled entities and associates.

The Group's share of the jointly controlled entity's or associate's post-acquisition profits or losses is recognised in the Income Statement and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Should the Group's share of losses in a jointly controlled entity or associate equal or exceed its interest in the entity, no further losses are recognised, unless it has incurred obligations or made payments on behalf of the entity.

The jointly controlled entity and associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

(m) Impairment of assets
Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Non-financial assets other than goodwill that have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(n) 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.

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.

(o) 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 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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

(p) 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.

(q) Mine development expenditure
Mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. 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 using the units of production method based on the estimated economically recoverable reserves to which they relate.

Impairment
The carrying value of capitalised 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 capitalised mine development expenditure is the higher of fair value less costs to sell 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.

(r) Deferred stripping costs
In mining operations, it is necessary to remove overburden and other barren waste materials to access ore from which minerals can be economically extracted. The process of mining overburden and waste materials is referred to as stripping. Stripping costs incurred before production commences are included within capitalised mine development expenditure and subsequently amortised. The Group defers stripping costs incurred subsequently during the production stage of operation. Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden or waste required to be removed to mine the ore. Deferral of these post-production costs to the Balance Sheet is made, where appropriate, when actual stripping ratios vary from the average life of mine ratio.

Costs which have previously been deferred to the Balance Sheet are recognised in the Income Statement on a unit of production basis utilising the average stripping ratios. Changes in estimates of average stripping ratios are accounted for prospectively from the date of the change.

As it is not possible to separately identify cash inflows relating to deferred overburden removal costs, such assets are grouped with other assets of a cash generating unit for the purposes of undertaking assessments, where necessary, based on future cash flows for the cash generating unit as a whole.

(s) Goodwill and other intangible assets

Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable net assets of the acquired subsidiary as at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units or groups of cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment losses recognised for goodwill are not subsequently reversed.

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

System development costs
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. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 and tested for impairment whenever there is an indication that the intangible asset may be impaired. 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 profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually, either individually or at the cash generating unit level consistent with the methodology outlined for goodwill. Such intangibles 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.

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.

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	Indefinite	No amortisation	Acquired
Brand names	Finite	Straight-line over estimated useful life (2 to 3 years)	Acquired
Customer and supplier contracts	Finite	Timing of projected cash flows of the contracts over 1 to 10 years	Acquired
System development and other capitalised development costs	Finite	Straight-line over estimated useful life (5 years)	Internally generated

(t) Trade and other payables

Trade and other payables 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 and arise when the Group becomes obliged to make future payments in respect of purchase of these goods and services. These amounts are unsecured.

(u) 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 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 current 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.

(v) 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 using market yields at the reporting date on national government bonds with terms to maturity and currencies that match as closely as possible 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 it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

Retirement benefit obligations

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The Group has a defined benefit section and a defined contribution section within its plan. The defined benefit section provides defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of the defined benefit section of the plan is recognised in the Balance Sheet, and is measured as the present value of the defined benefit obligation (using the projected unit credit method) at the reporting date plus unrecognised actuarial gains (less any unrecognised actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. 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.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The "corridor approach" is applied in determining the periodic impact on the Income Statement. Under this approach, cumulative actuarial gains or losses greater than 10% of the present value of the defined benefit obligation or 10% of the fair value of plan assets are recognised through the Income Statement over the average remaining service period of the employees in the plan on a straight-line basis.

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 future payments is available.

Equity-based compensation arrangements

The OneSteel Group provides benefits to employees (including directors) in the form of share-based payment transactions, whereby employees render services in exchange for rights over shares or options (equity-settled transactions). These rights 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 equity instruments or rights granted at the date of the grant. The fair value is determined by an external valuation using a Monte Carlo Simulation option 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 shares of OneSteel 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 opinion 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.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is solely based upon a market condition.

The dilutive effect, if any, of outstanding options, is reflected as additional share dilution in the computation of earnings per share.

Shares in the Group reacquired on-market and held by the OneSteel Employee Share Plan Trust are classified and disclosed as Employee Compensation Shares and deducted from equity.

(w) Restoration and rehabilitation

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 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 incurred as a current period expense.

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.

(x) Interest-bearing liabilities

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 transaction costs) and the redemption amount is recognised in the Income Statement using the effective interest rate method.

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

(y) 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.

(z) Contributed equity

Issued capital

Issued and paid-up capital is recognised at the fair value of the consideration received by the company. Any direct 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 OneSteel shareholders.

Ordinary shares have the right to receive dividends as declared and, in the event of the 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.

Employee compensation shares

Shares in the OneSteel Group purchased for equity based compensation arrangements are held in Trust and deducted from contributed equity in Employee Compensation Shares. Upon vesting, the shares are transferred from Employee Compensation Shares into Share-based Payment Reserves.

These shares carry voting rights and the beneficial holder is entitled to any dividends paid during the vesting period.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Derivative financial instruments

Derivatives are initially recognised at fair value on the date that a derivative contract is entered into and are subsequently remeasured at fair value. 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. The OneSteel Group designates certain derivatives as either:

- Hedges of the fair value of recognised assets or liabilities or firm commitments – fair value hedges
- Hedges of highly probable forecast transactions – cash flow hedges
- Hedges of a net investment in a foreign operation.

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 ongoing 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.

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the Income Statement, together with any changes in the fair value of the hedged asset, liability or firm commitment that are attributable to the hedged risk. 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 profit or loss.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity as a hedging reserve. The change in fair value relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are transferred to the Income Statement in the periods when the hedged item affects profit or loss such as when hedged income or expenses are recognised or when a forecast sale or purchase occurs. 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 or 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

Hedges of net investments in foreign operations are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.

Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any such derivatives are recognised immediately in the Income Statement.

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 OneSteel 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. Other techniques, such as estimated discounted cash flows, are used to determine fair values of the remaining financial instruments. 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.

(ab) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 reporting periods. The Group and parent entity's assessment of the impact of these new standards and interpretations are set out below:

AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 (effective 1 January 2009)

AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a "management approach" to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group will adopt AASB 8 from 1 July 2009. It is not expected to have a significant impact on the reported segments in the current financial report.

Revised AASB 3 Business Combinations, AASB 127 Consolidated and Separate Financial Statements and AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127 (effective 1 July 2009)

The revised AASB 3 continues to apply the acquisition method to business combinations, but with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the Income Statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs must be expensed. This is different to the Group's current policy set out in Note 1(c).

The revised AASB 127 requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognised in profit or loss. This is consistent with the Group's current accounting policy if significant influence is not retained.

The Group will apply the revised standards prospectively to all business combinations and transactions with non-controlling interests from 1 July 2009.

Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 (effective from 1 January 2009)

The revised AASB 123 has removed the option to expense all borrowing costs and – when adopted – will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

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NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

The September 2007 revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group will apply the revised standard from 1 July 2009.

AASB 2008-1 Amendments to Australian Accounting Standards – Share-based payments: Vesting Conditions and Cancellations (effective from 1 January 2009)

AASB 2008-1 clarifies that vesting conditions are service conditions and performance conditions only and that other features of a share-based payment are not vesting conditions. It also specifies that all cancellations whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply the revised standard from 1 July 2009 but it is not expected to affect the accounting for the Group's share-based payments.

AASB 2008-6 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective 1 July 2009)

The amendment to AASB 5 Discontinued Operations and AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards are part of the IASB's annual improvements project published in May 2008. They clarify that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosures should be made for this subsidiary if the definition of a discontinued operation is met. The Group will apply the amendments prospectively to all partial disposals of subsidiaries from 1 July 2009.

AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly controlled entity or Associate (effective 1 July 2009)

In July 2008, the AASB approved amendments to AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards and AASB 127 Consolidated and Separate Financial Statements. The Group will apply the revised rules prospectively from 1 July 2009. After that date, all dividends received from investments in subsidiaries, jointly controlled entities or associates will be recognised as revenue, even if they are paid out of pre-acquisition profits, but the investments may need to be tested for impairment as a result of the dividend payment. Furthermore, when a new intermediate parent entity is created in internal reorganisations, it will measure its investment in subsidiaries at the carrying amounts of the net assets of the subsidiary, rather than the subsidiary's fair value.

AASB Interpretation 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)

AASB I 16 clarifies which foreign currency risks qualify as hedged risks in the hedge of a net investment in a foreign operation and that hedging instruments may be held by any entity or entities within the Group. It also provides guidance on how an entity should determine the amounts to be reclassified from equity to profit or loss for both the hedging instrument and the hedged item. The Group will apply the interpretation prospectively from 1 July 2009. There will no be changes to the accounting for the existing hedge of the net investment in the US subsidiaries.

AASB 2008-8 Amendment to IAS 39 Financial Instruments: Recognition and Measurement (effective 1 July 2009)

AASB 2008-8 amends AASB 139 Financial Instruments: Recognition and Measurement and must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The amendment makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed-rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The Group will apply the amended standard from 1 July 2009. It is not expected to have a material impact on the Group's financial statements.

AASB Interpretation 17 Distribution of Non-cash Assets to Owners and AASB 2008-13 Amendments to Australian Accounting Standards arising from AASB Interpretation 17

AASB I 17 applies to situations where an entity pays dividends by distributing non-cash assets to its shareholders. These distributions will need to be measured at fair value and the entity will need to recognise the difference between the fair value and the carrying amount of the distributed assets in the distributions of non-cash assets at their carrying amounts. The interpretation further clarifies when a liability for the dividend must be recognised and that it is also measured at fair value. The Group will apply the interpretation prospectively from 1 July 2009.

NOTE 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the amounts disclosed 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 below.

Significant accounting judgements

Impairment of non-financial assets other than goodwill and intangibles with indefinite useful lives

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. Based on the recoverable amount estimates, the current carrying value of the Group's non-financial assets and groups of assets continues to be supported.

NOTE 2. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

Taxation

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.

Significant accounting estimates and assumptions

Impairment of goodwill and intangibles with indefinite useful lives

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 disclosed in Note 14.

Provision for restoration and rehabilitation

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 calculation of the provisions requires 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.

The assumptions used in the estimation of restoration and rehabilitation provisions are disclosed in Note 18.

Share-based payment transactions

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 option pricing model, using the assumptions disclosed in Note 29. The accounting estimates and assumptions relating to equity-settled share-based payment would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact expenses and equity.

Defined benefit plans

Various actuarial assumptions are required when determining the Group's pension schemes and other post-employment benefit obligations. These assumptions and the related carrying amounts are disclosed in Note 19.

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.

Carbon Pollution Reduction Scheme

The Australian Federal Government has announced a delay in the introduction of the original proposed Carbon Pollution Reduction Scheme (CPRS). The Scheme is now proposed to commence on 1 July 2011 and whilst the legislation has been introduced to Parliament, may still be subject to change. As a result, management are of the view that they cannot reliably quantify the impact of the Scheme on the recoverability of the carrying amount of non-financial assets as the information required for this quantification is incomplete or unreliable. For example, key sources of uncertainty may include:

- The level of emissions the Group is expected to emit is dependent on forecast production output
- The extent of Government assistance provided to OneSteel is unknown
- Abatement opportunities and the prospective costs of such
- The range of prices of emission permits and the number of permits required to be purchased
- The impact of costs incurred by suppliers and their ability to be passed on to the Group
- The ability to pass on the cost of any permits that the Group will be required to purchase, and
- The cost impact of the Renewable Energy Targets for electricity generation.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

NOTE 3. SEGMENT INFORMATION

SEGMENT REPORTING - BUSINESS	RECYCLING	IRON ORE	MANUFACTURING	AUSTRALIAN DISTRIBUTION	NEW ZEALAND DISTRIBUTION	UNALLOCATED	ELIMINATIONS	CONSOLIDATED
2009	$m	$m	$m	$m	$m	$m	$m	$m
Segment revenues								
Revenues from customers outside the consolidated entity	721.2	554.1	2,288.5	3,279.6	398.1	-	-	7,241.5
Intersegment revenues	402.2	-	1,374.2	14.7	1.1	18.5	(1,810.7)	-
Other revenue/income	0.6	5.8	24.6	30.1	0.7	4.5	-	66.3
Total income	**1,124.0**	**559.9**	**3,687.3**	**3,324.4**	**399.9**	**23.0**	**(1,810.7)**	**7,307.8**
Share of net (loss)/profit of investments accounted for using the equity method	(1.7)	-	-	-	-	1.2	-	(0.5)
Earnings before interest, tax, depreciation and amortisation	**(22.4)**	**180.8**	**251.6**	**198.8**	**42.7**	**(49.3)**	**(5.1)**	**597.1**
Depreciation and amortisation	(16.8)	(18.9)	(119.9)	(33.0)	(5.5)	(5.4)	-	(199.5)
Impairment of plant and equipment	-	-	(1.1)	(1.2)	-	-	-	(2.3)
Earnings before interest and tax	**(39.2)**	**161.9**	**130.6**	**164.6**	**37.2**	**(54.7)**	**(5.1)**	**395.3**
Finance costs								(172.2)
Income tax benefit								16.5
Profit after tax								**239.6**
Segment assets	**612.4**	**612.0**	**3,861.5**	**1,524.7**	**183.8**	**99.7**	**(188.8)**	**6,705.3**
Investments accounted for using the equity method	1.7	-	-	-	-	5.7	-	7.4
Tax assets								220.4
Consolidated assets								**6,933.1**
Segment liabilities	**76.4**	**64.5**	**530.2**	**348.5**	**67.8**	**1,501.5**	**(175.0)**	**2,413.9**
Tax liabilities								182.9
Consolidated liabilities								**2,596.8**
Other segment information								
Capital expenditure	11.4	29.2	109.8	28.1	4.1	7.4	-	190.0
Restructuring activities including impairment of plant and equipment	0.6	-	30.5	19.9	-	15.4	-	66.4
Other significant non-cash expenses	29.6	-	20.2	7.7	-	-	-	57.5

NOTE 3. SEGMENT INFORMATION (CONTINUED)

SEGMENT REPORTING – BUSINESS	RECYCLING	IRON ORE	MANUFACTURING	AUSTRALIAN DISTRIBUTION	NEW ZEALAND DISTRIBUTION	UNALLOCATED	ELIMINATIONS	CONSOLIDATED
2008	$m	$m	$m	$m	$m	$m	$m	$m
Segment revenues								
Revenues from customers outside the consolidated entity	986.0	559.8	2,332.7	3,121.2	434.6	–	–	7,434.3
Intersegment revenues	418.1	–	1,243.8	16.7	–	35.5	(1,714.1)	–
Other revenue/income	–	1.4	31.4	6.8	1.1	9.8	–	50.5
Total income	**1,404.1**	**561.2**	**3,607.9**	**3,144.7**	**435.7**	**45.3**	**(1,714.1)**	**7,484.8**
Share of net (loss)/profit of investments accounted for using the equity method	0.5	–	–	–	–	(14.1)	–	(13.6)
Earnings before interest, tax, depreciation and amortisation	**98.4**	**220.9**	**279.7**	**178.1**	**39.0**	**(29.6)**	**(55.3)**	**731.2**
Depreciation and amortisation	(11.9)	(8.0)	(126.5)	(33.9)	(5.2)	(9.4)	–	(194.9)
Impairment of plant and equipment	–	–	(17.6)	–	–	–	–	(17.6)
Earnings before interest and tax	**86.5**	**212.9**	**135.6**	**144.2**	**33.8**	**(39.0)**	**(55.3)**	**518.7**
Finance costs								(159.6)
Income tax expense								(104.0)
Profit after tax								**255.1**
Segment assets	**738.1**	**542.0**	**3,972.5**	**1,756.9**	**206.2**	**221.6**	**(284.1)**	**7,153.2**
Investments accounted for using the equity method	3.4	–	–	–	–	4.5	–	7.9
Tax assets								130.4
Consolidated assets								**7,291.5**
Segment liabilities	**120.7**	**80.2**	**753.8**	**529.4**	**98.9**	**2,342.7**	**(253.0)**	**3,672.7**
Tax liabilities								189.4
Consolidated liabilities								**3,862.1**
Other segment information								
Capital expenditure(1)	165.6	14.0	795.8	152.6	15.0	21.5	–	1,164.5
Restructuring activities including impairment of plant and equipment(2)	–	–	62.0	1.7	–	30.4	–	94.1
Other significant non-cash expenses	0.3	–	4.6	2.1	–	–	–	7.0

(1) Includes the cost of segment assets acquired by way of business combinations.

(2) Includes OneSteel's share of restructuring costs related to investments accounted for using the equity method of $13.7m.

NOTE 3. SEGMENT INFORMATION (CONTINUED)

SEGMENT REPORTING - GEOGRAPHIC	AUSTRALIA	INTERNATIONAL	UNALLOCATED	ELIMINATIONS	CONSOLIDATED
2009	$m	$m	$m	$m	$m
Segment revenues					
Revenues from customers outside the consolidated entity	6,334.3	907.2	-	-	7,241.5
Intersegment revenues	33.5	-	-	(33.5)	-
Other revenue/income	60.5	2.8	23.0	(20.0)	66.3
Total income	**6,428.3**	**910.0**	**23.0**	**(53.5)**	**7,307.8**
Segment assets	**5,906.7**	**702.8**	**99.7**	**(3.9)**	**6,705.3**
Investments accounted for using the equity method	1.7	-	5.7	-	7.4
Tax assets					220.4
Consolidated assets					**6,933.1**
Other segment information					
Capital expenditure	157.8	24.8	7.4	-	190.0
2008					
Segment revenues					
Revenues from customers outside the consolidated entity	6,476.3	958.0	-	-	7,434.3
Intersegment revenues	130.1	-	-	(130.1)	-
Other revenue/income	39.6	1.4	45.3	(35.8)	50.5
Total income	**6,646.0**	**959.4**	**45.3**	**(165.9)**	**7,484.8**
Segment assets	**6,222.2**	**732.9**	**221.6**	**(23.5)**	**7,153.2**
Investments accounted for using the equity method	3.4	-	4.5	-	7.9
Tax assets					130.4
Consolidated assets					**7,291.5**
Other segment information					
Capital expenditure[1]	1,006.4	136.6	21.5	-	1,164.5

(1) Includes the cost of segment assets acquired by way of business combinations.

NOTE 3. SEGMENT INFORMATION (CONTINUED)

Description of segments

Business segments

Segment activities

The Group's primary segment reporting format is business segments as the Group's risks and rates of return are affected predominantly by differences in the products produced. The operating businesses are organised and managed separately according to the nature of the products provided, with each segment representing a strategic business unit that offers different products and serves different markets.

OneSteel has aligned its segment structure to reflect changes in organisation structure announced in February 2009. The Recycling and Iron Ore businesses (previously combined as the Materials segment), are now reported as two separate segments. In addition, the Australian Tube Mills and Litesteel Technologies businesses previously included in the Australian Distribution segment now form part of the Manufacturing segment. The June 2008 comparatives have been restated to reflect the change in segment structure.

The June 2008 comparatives have also been restated to reflect the final allocation of the cost of the business combination to the net identifiable assets, liabilities and contingent liabilities acquired as part of Smorgon Steel Group Limited on 20 August 2007.

Recycling

The Recycling segment operates in 13 countries through a combination of physical operations and trading offices, supplying steel making raw materials to steel mills operated in Australia and across the globe.

Iron Ore

The Iron Ore segment supplies iron ore to OneSteel's integrated steelworks at Whyalla sourced from OneSteel's mines located in the Middleback Ranges, approximately 60km from Whyalla, South Australia. As a result of Project Magnet, the steelworks uses magnetite iron ore feed and hematite iron ore is sold externally.

Manufacturing

OneSteel's Manufacturing segment combines the activities of steel production and the product mills. The Whyalla Steelworks produces billet as feedstock for OneSteel's Market Mills operations together with rail products, structural steels and slabs for external sale.

Within Market Mills, the Sydney and Laverton steel mills produce 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. Waratah Steel Mill produces billet and ingot for the manufacture of specialty steel products including rail wagon wheels and grinding media used in the mining, quarrying and cement industries.

Rod, Bar & Wire manufactures products which are used in a range of applications such as manufacturing, construction, mining and automotive industries.

Australian Distribution

OneSteel's Australian Distribution business provides a diverse range of steel and metal products to resellers and end-users including structural steel, steel plate, angles, channels, flat sheet, reinforcing steel, sheet steel and coil and a range of aluminium products, pipes, fittings and valves. The reinforcing business and pipe and tube business within Australian Distribution manufacture and distribute product throughout Australia for the construction, mining, oil and gas and manufacturing industries.

New Zealand Distribution

This comprises the 50.3% shareholding in Steel & Tube Holdings Limited, a public listed company in New Zealand, which processes and distributes a comprehensive range of steel and allied products in the construction, manufacturing and rural industries to the New Zealand market.

Intra/Intersegment transfers

The Recycling segment sells raw materials to the Manufacturing segment. The Manufacturing segment sells manufactured products such as structural steel, angles, channels, flats, reinforcing bar and mesh to the Australian Distribution and New Zealand Distribution segments.

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.

Geographic segments

Although the Group's divisions are managed on a global basis, they operate in Australia and internationally. Internationally, businesses are operated in North America, New Zealand and South East Asia.

In presenting information of the basis of geographic segments, segment revenue is based on the geographic location of customers. Segment assets are based on the geographic location of assets.

NOTE 4. INCOME STATEMENT ITEMS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
(a) Sales revenue				
Product sales	7,235.0	7,428.5	-	-
Rendering of services	6.5	5.8	-	-
Total sales revenue	7,241.5	7,434.3	-	-
(b) Other revenue				
Interest received from unrelated parties	4.4	4.9	-	-
Dividends	-	-	200.0	200.0
Rental revenue	2.9	3.4	-	-
Other revenue	32.2	32.7	-	3.8
Total other revenue	39.5	41.0	200.0	203.8
TOTAL REVENUE	**7,281.0**	**7,475.3**	**200.0**	**203.8**
(c) Other income				
Net gains on disposal of property, plant and equipment	7.9	0.4	-	-
Net gains on disposal of intangible assets	16.8	-	-	-
Net gains on foreign currency derivatives not qualifying as hedges	0.1	8.9	-	-
Net gains on qualifying fair value hedges through profit or loss[1]	2.0	0.2	-	-
Total other income	26.8	9.5	-	-
TOTAL INCOME	**7,307.8**	**7,484.8**	**200.0**	**203.8**
(1) Comprised of:				
(Loss)/gain on financial liability recorded at fair value	(32.1)	8.0	-	-
Gain/(loss) on cross-currency interest rate swap at fair value	34.1	(7.8)	-	-
	2.0	0.2	-	-
(d) Operating expenses including restructuring activities				
Manufacturing expenses	312.8	291.6	-	-
Distribution expenses	256.3	237.7	-	-
Marketing expenses	293.6	279.9	-	-
Administrative expenses	395.3	390.2	7.6	3.8
Total operating expenses including restructuring activities	**1,258.0**	**1,199.4**	**7.6**	**3.8**
(e) Finance costs				
Interest expense related to:				
Bank loans	168.9	174.2	-	-
Interest paid to controlled entities	-	-	35.6	37.8
Finance leases	2.6	4.3	-	-
Provision for restoration and rehabilitation discount adjustment	0.7	0.7	-	-
	172.2	179.2	35.6	37.8
Less: Borrowing costs capitalised[2]	-	(19.6)	-	-
Total finance costs	**172.2**	**159.6**	**35.6**	**37.8**
(2) Weighted average interest rate in 2008 of 7.4%.				
(f) Profit before income tax includes the following specific expenses:				
Depreciation of property, plant and equipment:				
Buildings	15.1	14.2	-	-
Plant and equipment	160.9	128.5	-	-
Leased assets	4.5	4.7	-	-
Amortisation of mine development expenditure	1.9	1.8	-	-
Amortisation of finite-life intangible assets	17.1	45.7	-	-
Impairment of plant and equipment[3]	2.3	17.6	-	-
Impairment of carrying value of investment in controlled entity	-	-	7.5	-
Writedown of inventory to net realisable value	57.5	7.0	-	-
Minimum operating lease rentals	109.9	103.0	-	-
Net foreign exchange losses	60.2	6.8	-	-
Research and development costs	179.3	145.0	-	-
Restructuring costs[4]	64.1	76.5	-	-

(3) Impairment of plant and equipment associated with the manufacturing facility closure at Kembla Grange and the closure of certain Distribution sites. In 2008, impairment of plant and equipment was associated with the manufacturing facility closures in Laverton, Newcastle and Somerton.

(4) Restructuring costs related to redundancies from organisational changes and other direct expenditure associated with business restructures. In 2008, costs related to the integration of the Smorgon Steel Group and Australian Tube Mills businesses. This included OneSteel's share of restructuring costs from equity accounted investments of $13.7m.

	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PARENT 2009 $m	PARENT 2008 $m
(g) Employee benefits expense				
Included in employee benefits expense are the following items:				
Defined contribution company contributions	53.2	49.7	-	-
Defined benefit plan expense (Note 19)	19.4	14.6	-	-
Employee provisions	109.6	138.8	-	-
Share-based payments expense	3.6	3.4	-	-

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NOTE 5. INCOME TAX

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
(a) Income Statement				
Current income tax charge	11.9	94.4	(4.3)	(11.4)
Over provided in prior years	(45.4)	-	(22.6)	-
Deferred tax relating to the origination and reversal of temporary differences	17.0	9.6	2.2	-
Income tax (benefit)/expense reported in the Income Statement	(16.5)	104.0	(24.7)	(11.4)
(b) Reconciliation of income tax expense to prima facie tax payable				
Profit before income tax	223.1	359.1	156.8	162.2
Prima facie income tax expense calculated at 30% (2008: 30%)	66.9	107.7	47.0	48.6
Adjustments in respect of income tax expense of previous years (h)	(45.4)	-	(22.6)	-
Share of net (loss)/profit of investments accounted for using the equity method	0.1	4.1	-	-
Non-assessable dividends received	-	-	(60.0)	(60.0)
Research and development allowance	(13.4)	(10.9)	-	-
Non-deductible expenses	2.9	0.9	2.3	-
Tax losses utilised not previously recognised	(7.2)	-	-	-
Other items	(7.1)	0.5	8.6	-
Difference in overseas tax rates	2.0	1.7	-	-
Reduction in deferred tax liability upon final reset tax values as a consequence of entry into tax consolidation (f)	(15.3)	-	-	-
Income tax (benefit)/expense reported in the Income Statement	(16.5)	104.0	(24.7)	(11.4)
(c) Deferred tax recognised in the Income Statement				
Deferred tax assets				
Employee benefit provisions (including retirement benefit obligations)	3.3	(3.0)	-	-
Other provisions	(11.2)	8.9	-	-
Inventory provisions	2.2	0.7	-	-
Investments	(1.1)	-	(1.1)	-
Derivative financial instruments	7.8	0.6	-	-
Other items	2.4	8.2	(1.1)	-
	3.4	15.4	(2.2)	-
Deferred tax liabilities				
Property, plant and equipment	35.3	(3.7)	-	-
Stores and spares	(8.2)	14.4	-	-
Deferred charges	6.3	5.9	-	-
Share-based payments	0.3	1.0	-	-
Unrealised foreign exchange	9.4	-	-	-
Other items	(0.4)	7.4	-	-
	42.7	25.0	-	-
(d) Deferred tax recognised on the Balance Sheet				
Deferred tax assets				
Employee benefit provisions (including retirement benefit obligations)	78.9	75.6	-	-
Other provisions	34.4	41.2	-	-
Inventory provisions	10.3	8.1	-	-
Investments	-	1.1	-	1.1
Derivative financial instruments	10.3	-	-	-
Other items	10.7	4.4	4.3	-
	144.6	130.4	4.3	1.1
Deferred tax liabilities				
Property, plant and equipment	122.9	89.1	-	-
Stores and spares	22.6	30.8	-	-
Deferred charges	23.9	17.6	-	-
Share-based payments	2.3	2.2	-	-
Derivative financial instruments	-	14.6	-	-
Unrealised foreign exchange	9.4	0.2	-	-
Other items	1.8	0.1	-	-
	182.9	154.6	-	-
(e) Deferred tax recognised directly in equity				
Net gain on revaluation of cash flow hedges	16.5	(11.6)	-	-
Transaction costs arising on share issue	5.4	-	5.4	-
Share-based payments expense	0.2	0.3	-	-
Total deferred tax debited/(credited) to equity	22.1	(11.3)	5.4	-

NOTE 5. INCOME TAX (CONTINUED)

(f) Tax effect accounting by members of the tax consolidated group

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The OneSteel 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.

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) assumed from controlled entities in the tax consolidated group.

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.

(g) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of capital losses amounting to $6.5m (2008: Nil).

The deductible temporary differences do not expire under current tax legislation. However, tax losses are subject to continuity of ownership tests. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the consolidated entity can utilise the benefits.

(h) Adjustments in respect of income tax expense of previous years

Primarily attributable to Research and Development claims not previously recognised.

NOTE 6. EARNINGS PER SHARE

	CONSOLIDATED	
	2009 $m	2008[3] $m
The following reflects the earnings and share data used in the calculation of basic and diluted earnings per share:		
(a) Earnings		
Profit attributable to equity holders of the parent	229.5	244.9
Earnings used in calculating basic and diluted earnings per share	229.5	244.9
	NUMBER OF SHARES	
(b) Number of ordinary shares		
Weighted average number of ordinary shares used in the calculation of basic earnings per share	1,016,309,882	831,665,761
Dilutive effect of executive share options[1]	261,657	312,123
Dilutive effect of employee compensation shares	2,443,735	3,409,478
Weighted average number of ordinary shares used in the calculation of diluted earnings per share	1,019,015,274	835,387,362
	CENTS	
Earnings per share before the impact of restructuring activities, tax consolidation and over provision of tax in prior years[2]:		
Basic earnings per share	21.19	34.85
Diluted earnings per share	21.13	34.69

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

(2) The calculation of earnings per share before the impact of restructuring activities, tax consolidation and over provision of tax in prior years was based on earnings of $215.3m (2008: $315.0m).

The impacts on earnings were as follows:

	2009 $m	2008 $m
Restructuring activities including impairment of plant and equipment, net of tax	(46.5)	(70.1)
Finalisation of reset tax values on entry into tax consolidation	15.3	-
Tax benefit arising from over provision of tax in prior years	45.4	-
Total impact on earnings, net of tax	14.2	(70.1)

(3) Restatement of 2008 earnings per share
2008 basic earnings per share and diluted earnings per share have been restated as a result of the Placement and Entitlement offers in April and May 2009. This restatement has been made by adjusting the weighted average number of shares by an adjustment factor calculated in accordance with AASB 133.

Issues after 30 June 2009

There have been no other subscriptions for ordinary shares or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

NOTE 7. RECEIVABLES

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Trade receivables[1]	793.1	1,126.9	-	-
Provision for doubtful debts (a)	(9.2)	(6.5)	-	-
	783.9	1,120.4	-	-
Other receivables	43.2	64.9	195.9	-
Tax related balances with controlled entities	-	-	-	29.2
	827.1	1,185.3	195.9	29.2

(1) $14.8m (2008: $23.2m) of the Australian Distribution external trade receivables are known as Metalcard receivables whereby interest is charged on the outstanding balance at an average interest throughout the year of 12.05% (2008: 13.52%).

(a) Provision for doubtful debts
Trade receivables (excluding Metalcard receivables within the Australian Distribution operations) are non-interest-bearing and are generally on 30 to 60 day terms. 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 and default or delinquency in payments are considered indicators that the trade receivable is impaired.

Movements in the provision for doubtful debt were as follows:

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
At 1 July	(6.5)	(2.9)	-	-
Business combination	-	(3.3)	-	-
Provision recognised during the year	(15.5)	(4.0)	-	-
Receivables written off during the year as uncollectible	12.8	3.7	-	-
At 30 June	(9.2)	(6.5)	-	-

Amounts charged to the provision for doubtful debts are written off when there is no expectation of recovering additional cash. 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.[2]

(b) Past due but not impaired
At 30 June, receivables of $76.2m (2008: $144.4m) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these receivables are as follows:

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
1 to 30 days	48.1	113.3	-	-
31 to 60 days	9.2	18.8	-	-
61 to 90 days	12.5	9.3	-	-
Over 90 days	6.4	3.0	-	-
	76.2	144.4	-	-

(c) Fair value and credit risk
Due to the short-term nature of these receivables, their carrying values are assumed to approximate their fair values.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

(d) Foreign exchange and interest rate risk
The Group's exposure to foreign exchange and interest rate risk related to trade and other receivables is disclosed in Note 32.

(2) The total value of impaired receivables at 30 June is $9.2m (2008: $6.5m). These receivables are all greater than 30 days overdue and have been fully provided for at 30 June.

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NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current assets				
Forward contracts – cash flow hedges (d)	0.4	1.8	–	–
Forward contracts – held for trading (e)	5.9	2.9	–	–
Forward contracts – net investment hedges (f)	6.3	0.3	–	–
	12.6	5.0	–	–
Non-current assets				
Interest rate swap contracts – cash flow hedges (a)	–	16.4	–	–
	–	16.4	–	–
Current liabilities				
Forward contracts – cash flow hedges (d)	0.7	4.6	–	–
Forward contracts – held for trading (e)	14.2	1.6	–	–
Cross-currency interest rate swap contracts – fair value hedges (b)	24.8	–	–	–
Cross-currency interest rate swap contracts – cash flow hedges (c)	16.2	–	–	–
	55.9	6.2	–	–
Non-current liabilities				
Interest rate swap contracts – cash flow hedges (a)	17.8	–	–	–
Cross-currency interest rate swap contracts – fair value hedges (b)	19.9	78.8	–	–
Cross-currency interest rate swap contracts – cash flow hedges (c)	20.4	54.8	–	–
	58.1	133.6	–	–

Instruments used by the Group
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and foreign exchange rates in accordance with the Group's financial risk management policies (refer to Note 32).

(a) Interest rate swap contracts – cash flow hedges
Australian-dollar denominated bank loans of the Group currently bear an average variable interest rate of 3.7% (2008: 8.3%). It is Group policy to protect part of the 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 a fixed interest rate.

Swaps currently in place cover approximately 65% (2008: 35%) of the variable AUD loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 5.89% and 7.55% (2008: 5.08% and 7.55%) and the variable rates between 3.08% and 3.19% compared with the three-month BBSW which at balance date was 3.19% (2008: 7.83%).

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.

The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective, and reclassified into profit and loss when the hedged interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. There was no material hedge ineffectiveness recognised in the Income Statement in the current or prior year.

(b) Cross-currency interest rate swap contracts – fair value hedges
At 30 June 2009, the Group had a series of cross-currency interest rate swaps in place with a notional amount of USD 128m (2008: USD 128m) whereby it receives a fixed interest rate of 5.2% (2008: 5.2%) in USD and pays a floating rate of interest equal to BBSW in AUD on the notional amount quarterly.

Swaps currently in place cover 100% (2008: 100%) of the loan principal outstanding. The swaps are being used to hedge the exposure to changes in the fair value of its US private placement, fixed interest, USD denominated senior notes raised in April 2003 (a seven-year tranche USD 68m and a 12-year tranche USD 60m – refer to Note 32). The fixed interest rates range between 4.86% and 5.55% (2008: 4.86% and 5.55%) and the variable rates between 4.57% and 4.67% compared with the three-month BBSW which at balance date was 3.19% (2008: 7.83%). Interest payments on the debt are made semi-annually.

The expiration of the cross-currency interest rate swaps is matched to the expiry of the underlying debt.

(c) Cross-currency interest rate swap contracts – cash flow hedges
At 30 June 2009, the Group had a series of cross-currency interest rate swaps in place with a notional amount of USD 130m (2008: USD 130m) whereby it receives a fixed interest rate of 5.6% (2008: 5.6%) in USD and pays a fixed interest rate of 7.2% (2008: 7.2%) in AUD on the notional amount semi-annually.

The swaps are being used to hedge the exposure to fluctuations in cash flow due to fluctuations in the AUD/USD spot exchange rate on the USD denominated senior notes recognised on acquisition of Smorgon Steel Group Limited in August 2007.

Swaps currently in place cover 100% of the designated loan principal outstanding and are timed to expire as each loan repayment falls due. The fixed interest rates range between 7.0% and 7.3% (2008: 7.0% and 7.3%).

The contracts require settlement of net interest receivable or payable at 180 day intervals. The contracts are settled on a net basis where master netting agreements are in place. The settlement dates coincide with the dates on which interest is payable on the underlying debt.

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)
The gain or loss from remeasuring the hedging instruments at fair value is deferred in equity in the cash flow hedge reserve, to the extent that the hedge is effective, and reclassified into the Income Statement when the hedged interest expense is recognised. The ineffective portion is recognised in the Income Statement immediately. In the year ended 30 June 2009, a gain/(loss) of ($2.9m) (2008: $1.6m) was reclassified into the Income Statement and included in finance cost. There was no material hedge ineffectiveness recognised in the Income Statement in the current year.

(d) Forward contracts – cash flow hedges
The OneSteel Group is exposed to foreign exchange risk through primary financial assets and liabilities and anticipated future transactions, modified through derivative financial instruments such as forward exchange contracts, currency options and currency swaps.

These contracts are hedging highly probable or committed purchases for the ensuing financial year. The contracts are timed to mature when payments for the purchases are scheduled to be made.

The forward exchange contracts are considered to be highly effective hedges as they are matched against forecast purchases of inventory and plant and equipment. Any gain or loss on the contracts attributable to the hedged risk is taken directly to equity. When the asset is delivered, the amount recognised in equity is adjusted to the asset account in the balance sheet.

At balance date, the details of outstanding contracts are:

	2009			2008		
CURRENCY	Average exchange rate	Buy $m	Sell $m	Average exchange rate	Buy $m	Sell $m
United States Dollar						
0 – 3 months	0.77	7.5	-	0.89	61.4	23.4
Over 3 – 12 months	0.78	6.8	-	0.90	28.6	51.2
1 – 2 years	0.80	3.2	-	-	-	-
		17.5	-		90.0	74.6
Euro						
0 – 3 months	0.61	1.4	-	0.62	5.1	-
Over 3 – 12 months	-	-	-	0.59	8.0	-
1 – 2 years	-	-	-	0.58	3.1	-
		1.4	-		16.2	-

(e) Forward contracts – held for trading
The Group has further entered into forward exchange contracts 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 32). Gains or losses from remeasuring forward exchange contracts at fair value are recognised in the Income Statement.

	2009			2008		
CURRENCY	Average exchange rate	Buy $m	Sell $m	Average exchange rate	Buy $m	Sell $m
United States Dollar						
0 – 3 months	0.75	175.8	53.3	0.93	67.2	87.5
Over 3 – 12 months	0.66	5.9	6.2	0.84	2.4	2.4
1 – 2 years	0.64	-	4.1	-	-	-
		181.7	63.6		69.6	89.9
Japanese Yen						
0 – 3 months	-	-	-	98.97	2.4	-
		-	-		2.4	-
New Zealand Dollar						
0 – 3 months	1.26	0.6	0.8	1.24	15.3	7.2
		0.6	0.8		15.3	7.2
Euro						
0 – 3 months	0.53	6.0	2.1	0.61	10.2	
Over 3 – 12 months	0.52	0.8	5.1	0.60	1.1	-
		6.8	7.2		11.3	-
Pounds Sterling						
0 – 3 months	-	-	-	0.47	0.6	-
		-	-		0.6	-
Swedish Kroner						
0 – 3 months	5.74	0.6	-	-	-	-
		0.6	-		-	-

NOTE 8. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(f) Forward exchange contracts – net investment hedges

Included in derivative financial instruments at 30 June is a forward exchange contract of USD 65m (2008: USD 65m) which has been designated as a hedge of the net investments in US subsidiaries.

Gains or losses from remeasuring the forward exchange contracts are transferred to equity to offset any gains or losses on translation of the net investments in US subsidiaries. A net loss on the hedge of the net investment of $7.0m (2008: $9.5m gain), net of tax was recognised in equity for the period.

There has been no hedge ineffectiveness recognised in the Income Statement on this hedge.

Fair values

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

NOTE 9. INVENTORIES

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Raw materials				
At net realisable value	13.2	-	-	-
At cost	201.5	314.6	-	-
	214.7	314.6	-	-
Work in progress – at cost	159.0	137.1	-	-
Finished goods				
At net realisable value	67.6	18.1	-	-
At cost	645.3	694.2	-	-
	712.9	712.3	-	-
Stores, spares and other – at cost	153.3	134.9	-	-
Total inventories				
At net realisable value	80.8	18.1	-	-
At cost	1,159.1	1,280.8	-	-
	1,239.9	1,298.9	-	-

NOTE 10. OTHER FINANCIAL ASSETS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Investment in partnership(1)	2.2	-	-	-
	2.2	-	-	-
Non-current				
Investments in controlled entities, net of impairment loss (Note 27)	-	-	3,725.3	3,729.2
Investment in jointly controlled entity, net of impairment loss (Note 11)	-	-	6.3	6.3
Investment in partnership(1)	-	4.2	-	-
	-	4.2	3,731.6	3,735.5

(1) Represents OneSteel's share in a partnership involved in the sale and leaseback of items of plant and equipment maturing in July 2009.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

NOTE 11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m
Investment in jointly controlled entity BOSFA Pty Ltd[1]	5.7	4.5
Investment in associate Suntech Metals Company[2]	1.7	3.4
	7.4	7.9

(1) OneSteel Limited has a 50% ownership interest and voting power in BOSFA Pty Ltd (previously known as Bekaert Australia Steel Cord Pty Ltd) (2008: 50%), a company incorporated in Australia involved in the manufacture of steel wire products. Its balance date is 31 December.

(2) The Group has a 20% ownership interest and voting power in Suntech Metals Company (2008: 20%), a company incorporated in Thailand, primarily involved in the collection and sale of non-ferrous scrap metal. Its balance date is 31 December.

There were no impairment losses relating to the investments and no commitments or contingencies relating to the jointly controlled entity or associate.

The following information illustrates summarised financial information relating to the Group's investments accounted for using the equity method:

	2009 $m	2008 $m
Share of jointly controlled entity and associate's income, expenses and results		
Income	16.6	68.5
Expenses	(16.7)	(87.8)
Net loss before income tax	(0.1)	(19.3)
Income tax (expense)/benefit	(0.4)	5.7
Net loss after income tax	(0.5)	(13.6)
Share of jointly controlled entity and associate's assets and liabilities		
Current assets	6.0	7.5
Non-current assets	6.7	7.6
Current liabilities	(2.8)	(2.6)
Non-current liabilities	(2.5)	(4.6)
Net assets	7.4	7.9

NOTE 12. PROPERTY, PLANT AND EQUIPMENT

2009	Land $m	Buildings $m	Plant and equipment $m	Leased assets $m	Total $m
	CONSOLIDATED				
Movements in carrying amounts					
Cost					
At the beginning of the year	177.4	461.7	2,497.8	72.7	3,209.6
Additions	-	6.3	175.5	-	181.8
Disposals	(1.1)	(1.5)	(19.0)	(1.8)	(23.4)
Transfers	(2.0)	7.6	(5.6)	-	-
Net foreign currency differences on translation of foreign operations	1.3	0.7	17.1	-	19.1
At the end of the year	175.6	474.8	2,665.8	70.9	3,387.1
Accumulated depreciation and impairment					
At the beginning of the year	-	(133.0)	(699.9)	(15.6)	(848.5)
Depreciation	-	(15.1)	(160.9)	(4.5)	(180.5)
Impairment loss[1]	-	-	(2.3)	-	(2.3)
Disposals	-	0.4	14.1	1.0	15.5
Net foreign currency differences on translation of foreign operations	-	(0.3)	(2.0)	-	(2.3)
At the end of the year	-	(148.0)	(851.0)	(19.1)	(1,018.1)
Net carrying amount at 30 June 2009	175.6	326.8	1,814.8	51.8	2,369.0

(1) Impairment of plant and equipment associated with the manufacturing facility closure in Kembla Grange and the closure of certain Distribution sites.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

2008	Land $m	Buildings $m	Plant and equipment $m	Leased assets $m	Total $m
	CONSOLIDATED				
Movements in carrying amounts					
Cost					
At the beginning of the year	59.3	317.2	1,780.4	73.2	2,230.1
Acquisitions through business combinations	115.8	110.6	529.9	-	756.3
Additions	3.5	36.4	221.9	0.1	261.9
Disposals	(0.3)	(0.6)	(7.3)	(0.6)	(8.8)
Net foreign currency differences on translation of foreign operations	(0.9)	(1.9)	(27.1)	-	(29.9)
At the end of the year	177.4	461.7	2,497.8	72.7	3,209.6
Accumulated depreciation and impairment					
At the beginning of the year	-	(118.5)	(563.6)	(10.9)	(693.0)
Depreciation	-	(14.2)	(128.5)	(4.7)	(147.4)
Impairment loss[1]	-	-	(17.6)	-	(17.6)
Disposals	-	0.4	5.0	-	5.4
Net foreign currency differences on translation of foreign operations	-	(0.7)	4.8	-	4.1
At the end of the year	-	(133.0)	(699.9)	(15.6)	(848.5)
Net carrying amount at 30 June 2008	177.4	328.7	1,797.9	57.1	2,361.1

(1) Impairment of plant and equipment associated with the manufacturing facility closures in Laverton, Newcastle and Somerton.

NOTE 13. MINE DEVELOPMENT EXPENDITURES

2009	Deferred stripping $m	Pre-production expenditure $m	Total $m
	CONSOLIDATED		
Movements in carrying amounts			
Cost			
At the beginning of the year	58.8	36.5	95.3
Additions	-	3.1	3.1
Net deferral	20.8	-	20.8
Other movements	-	(1.3)	(1.3)
At the end of the year	79.6	38.3	117.9
Accumulated amortisation			
At the beginning of the year	-	(7.6)	(7.6)
Amortisation	-	(1.9)	(1.9)
At the end of the year	-	(9.5)	(9.5)
Net carrying amount at 30 June 2009	79.6	28.8	108.4

2008	Deferred stripping $m	Pre-production expenditure $m	Total $m
	CONSOLIDATED		
Movements in carrying amounts			
Cost			
At the beginning of the year	39.0	33.1	72.1
Additions	-	1.3	1.3
Net deferral	19.8	-	19.8
Other movements	-	2.1	2.1
At the end of the year	58.8	36.5	95.3
Accumulated amortisation			
At the beginning of the year	-	(5.8)	(5.8)
Amortisation	-	(1.8)	(1.8)
At the end of the year	-	(7.6)	(7.6)
Net carrying amount at 30 June 2008	58.8	28.9	87.7

NOTE 14. OTHER INTANGIBLES AND GOODWILL

	CONSOLIDATED						
2009	Goodwill $m	System development costs $m	Customer relationships $m	Supplier contracts $m	Brand names $m	Patents $m	Total $m
Movements in carrying amounts							
Cost							
At the beginning of the year	1,914.4	67.9	28.8	10.1	78.5	9.7	2,109.4
Acquisitions through business combinations	2.7	-	-	-	-	-	2.7
Additions	-	5.1	-	-	-	-	5.1
Net foreign currency differences on translation of foreign operations	51.0	-	1.6	-	-	-	52.6
At the end of the year	1,968.1	73.0	30.4	10.1	78.5	9.7	2,169.8
Accumulated amortisation							
At the beginning of the year	-	(45.0)	(24.0)	(0.5)	(4.6)	(4.0)	(78.1)
Amortisation	-	(10.0)	(2.8)	(0.5)	(1.0)	(2.8)	(17.1)
At the end of the year	-	(55.0)	(26.8)	(1.0)	(5.6)	(6.8)	(95.2)
Net carrying amount at 30 June 2009	1,968.1	18.0	3.6	9.1	72.9	2.9	2,074.6

	CONSOLIDATED						
2008	Goodwill $m	System development costs $m	Customer relationships $m	Supplier contracts $m	Brand names $m	Patents $m	Total $m
Movements in carrying amounts							
Cost							
At the beginning of the year	196.3	50.4	-	-	-	-	246.7
Acquisitions through business combinations	1,779.7	11.5	31.0	10.1	76.7	9.7	1,918.7
Additions	-	6.0	-	-	-	-	6.0
Revaluation	-	-	-	-	1.8	-	1.8
Net foreign currency differences on translation of foreign operations	(61.6)	-	(2.2)	-	-	-	(63.8)
At the end of the year	1,914.4	67.9	28.8	10.1	78.5	9.7	2,109.4
Accumulated amortisation							
At the beginning of the year	-	(32.4)	-	-	-	-	(32.4)
Amortisation	-	(12.6)	(24.0)	(0.5)	(4.6)	(4.0)	(45.7)
At the end of the year	-	(45.0)	(24.0)	(0.5)	(4.6)	(4.0)	(78.1)
Net carrying amount at 30 June 2008	1,914.4	22.9	4.8	9.6	73.9	5.7	2,031.3

Description of the Group's intangible assets

(1) Goodwill
After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised but is subject to impairment testing on an annual basis and whenever there is an indication of impairment.

(2) System development costs
System development costs are carried at cost less accumulated amortisation and impairment losses. These have been assessed as having a finite life and amortised on a straight-line basis. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(3) Customer relationships, supplier contracts, patents and finite life brand names
These intangibles have been acquired through business combinations and are carried at cost less accumulated amortisation and impairment losses. These intangible assets have been determined to have finite lives. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

(4) Indefinite life brand names
Included in Brand Names are indefinite life brand names with a carrying amount of $72.3m as at 30 June 2009 (2008: $72.3m). 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 forseeable limit to the period over which the assets are expected to generate net cash inflows for the Group. Indefinite life brand names are carried at cost less accumulated impairment losses. These assets are subject to impairment testing on an annual basis and whenever there is an indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 14. OTHER INTANGIBLES AND GOODWILL (CONTINUED)

Impairment testing of goodwill and intangibles with indefinite useful lives

(a) Carrying amount of goodwill and intangibles with indefinite useful lives allocated to each of the cash generating units (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 brand names according to business segment and country of operation are as follows:

2009	CONSOLIDATED Goodwill[1] $m	Indefinite life brand names $m	Total $m
Recycling			
United States	112.8	-	112.8
Asia	51.5	-	51.5
Australia	179.5	-	179.5
Manufacturing			
Australia	1,168.7	26.4	1,195.1
United States (Grinding Media)	164.0	-	164.0
Australian Distribution	278.9	45.9	324.8
New Zealand Distribution	12.7	-	12.7
	1,968.1	72.3	2,040.4

2008	CONSOLIDATED Goodwill $m	Indefinite life brand names $m	Total $m
Recycling			
United States	95.3	-	95.3
Asia	43.6	-	43.6
Australia	179.5	-	179.5
Manufacturing			
Australia	1,168.7	26.4	1,195.1
United States (Grinding Media)	138.6	-	138.6
Australian Distribution	276.2	45.9	322.1
New Zealand Distribution	12.5	-	12.5
	1,914.4	72.3	1,986.7

(1) Restated to reflect the final allocation of goodwill for the purposes of impairment testing associated with the acquisition of the Smorgon Steel Group.

(b) Key assumptions used in value in use calculations

The recoverable amount of the CGUs/groups of CGUs to which goodwill and/or indefinite life brand names 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.

CGU/group of CGUs to which goodwill and/or indefinite life brand names are allocated	DISCOUNT RATE 2009 %	DISCOUNT RATE 2008 %	TERMINAL GROWTH RATE 2009 %	TERMINAL GROWTH RATE 2008 %
Recycling				
United States	11.7	12.3	2.0	2.0
Asia	10.6	9.6	2.0	2.0
Australia	13.4	12.1	2.0	2.0
Manufacturing				
Australia	13.2	12.2	2.0	2.0
United States (Grinding Media)	12.2	12.7	2.0	3.0
Australian Distribution	13.8	12.7	2.0	2.0
New Zealand Distribution	13.3	12.1	2.0	2.0

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

- Discount rates
- Gross margins
- Raw materials price inflation
- Market conditions
- Growth rate used to extrapolate cash flows beyond the forecast period.

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 unit.

NOTE 14. OTHER INTANGIBLES AND GOODWILL (CONTINUED)

Gross margins – the basis used to determine the value assigned to the margins in the CGUs are the actual margins achieved, increased for expected efficiency improvements. Thus, values assigned reflect past experience and efficiency improvements. Manufacturing prices assigned are influenced by raw material prices and international steel prices. These are consistent with external sources of information.

Raw materials price inflation – values assigned to this key assumption are consistent with external sources of information except for OneSteel 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 AUD/USD and NZD exchange rates are used which are consistent with external sources of information.

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

In determining value in use, OneSteel has not included any potential impact of the proposed introduction of the Carbon Pollution Reduction Scheme (CPRS). At this stage, OneSteel has been unable to reliably quantify what the magnitude of the effect of the cost of carbon on the cash inflows of the CGUs/group of CGUs will be. Key variables will include determining a reasonable basis for permit pricing, understanding the distribution mechanism of permit revenue (including permit allocation), details of other support mechanisms and clarity around the taxation consequences arising from the CPRS.

(c) Sensitivity to changes in assumptions

With regard to the assessment of the value in use of the CGUs, Management believe that no reasonably possible change in any of the above key assumptions would cause the carrying value of the CGUs to exceed their recoverable amount with the exception of the following:

Manufacturing - LiteSteel Technologies America

For the LiteSteel Technologies America CGU within the Manufacturing group of CGUs, actual recoverable amount based on the value in use calculation is consistent with its carrying amount. Management recognise that the cash flow projection, discount and growth rates used to calculate value in use may vary to what they have estimated. Management note the value in use estimate is particularly sensitive in the following areas:

- An increase by 1% in the discount rate used will result in an impairment loss of USD 10.6m
- A fall in the growth rate to nil will result in an impairment loss of USD 15.3m
- An increase by 1% in the discount rate used with a fall in growth rate to nil will result in an impairment loss of USD 21.8m
- A 10% decrease in future cash flow projection with a fall in growth rate to nil will result in an impairment loss of USD 19.9m.

Recycling US

For the Recycling US unit, actual recoverable amount based on the value in use calculation exceeds its carrying amount by USD 56.2m.

Management recognise that the discount and growth rates used to calculate value in use may vary to what they have estimated. Management note that if the discount rate used increases by 1% with a fall in growth rate to nil, the recoverable amount of the unit will fall below its carrying amount by USD 2.5m.

NOTE 15. OTHER ASSETS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Deferred charges and other assets	16.6	12.0	-	-
	16.6	12.0	-	-
Non-current				
Deferred charges and other assets	-	0.1	-	-
	-	0.1	-	-

NOTE 16. PAYABLES

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Trade payables	496.9	849.7	-	-
Other payables and accruals	116.8	165.1	1.3	-
Tax related balances with controlled entities	-	-	94.9	-
	613.7	1,014.8	96.2	-

Trade payables are non-interest-bearing and are generally settled on 30 to 60 day terms. Other payables are non-interest-bearing.

Fair values

Due to the short-term nature of these payables, their carrying amounts are assumed to approximate their fair values.

Foreign exchange risk

The Group's exposure to foreign exchange risk related to trade and other payables is disclosed in Note 32.

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For the year ended 30 June 2009

NOTE 17. INTEREST-BEARING LIABILITIES

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Finance lease (Note 25)	24.7	21.7	-	-
HRC securitisation facility	-	15.4	-	-
Unsecured				
Bank loans	34.3	446.5	-	-
US Private placement - at fair value(2)	86.2	-	-	-
US Private placement - at amortised cost(3)	55.6	-	-	-
Loan from controlled entity	-	-	-	672.4
	200.8	483.6	-	672.4
Non-current				
Finance lease (Note 25)	-	24.7	-	-
HRC securitisation facility(1)	2.1	-	-	-
Unsecured				
Bank loans	609.8	1,290.9	-	-
US Private placement - at fair value(2)	78.7	132.6	-	-
US Private placement - at amortised cost(3)	387.4	166.6	-	-
	1,078.0	1,614.8	-	-

(1) Committed tripartite inventory financing facility of $2.1m expiring in July 2010.

(2) US Private Placement undertaken in April 2003 (USD 128m). This consists of a 5.2%, fixed interest seven-year tranche (USD 68m) repayable in April 2010 and 12 year tranche (USD 60m) repayable in April 2015. This has been hedged using a series of cross-currency interest rate swaps and accounted for as a fair value hedge – refer to Notes 8 and 32.

(3) US Private Placement debt recognised on acquisition of Smorgon Steel Group Limited in August 2007. This consists of USD 45m at 5.69% repayable in 2010; USD 40m at 5.78% repayable in 2011; USD 25m at 5.88% repayable in 2013; USD 30m at 6.08% repayable in 2014 and USD 20m at 6.08% repayable in 2015.

Of this balance, USD 130m has been hedged using a series of cross-currency swaps accounted for as a cash flow hedge – refer to Notes 8 and 32.

The remaining balance of USD 30m has been designated as a hedge of the net investments in US subsidiaries. Gains or losses on the retranslation of this borrowing are transferred to equity to offset any gains or losses on translation of the net investments in the subsidiaries. A net loss on the hedge of the net investment of $4.0m (2008: $5.1m gain) was recognised in equity for the period, net of tax. There has been no hedge ineffectiveness recognised in the Income Statement on this hedge.

A further US Private Placement was undertaken in July 2008 (USD 200m). This consists of a 7.0%, fixed interest seven-year tranche (USD 50m) repayable in July 2015, a 7.3%, fixed interest 10 year tranche (USD 97m) repayable in July 2018 and a 7.4% fixed interest 12 year tranche (USD 53m) repayable in July 2020.

At 30 June 2009, the fair value of the US Private Placement debt carried at amortised cost on balance sheet is $535.4m (2008: $177.8m).

Fair values

Unless disclosed above, the carrying amount of the Group's current and non-current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cash flows at prevailing interest rates.

NOTE 18. PROVISIONS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Current				
Employee benefits (Note 29)	221.9	236.0	-	-
Restoration and rehabilitation(1)	16.8	16.6	-	-
Legal and customer claims(2)	8.6	13.2	-	-
Restructuring(3)	43.7	29.0	-	-
	291.0	294.8	-	-
Non-current				
Employee benefits (Note 29)	36.1	40.7	-	-
Restoration and rehabilitation(1)	75.7	74.5	-	-
Legal and customer claims(2)	2.9	2.9	-	-
	114.7	118.1	-	-

	CONSOLIDATED			
2009	Legal and customer claims $m	Restoration and rehabilitation $m	Restructuring $m	Total $m
Movements in carrying amounts				
Carrying amount at the beginning of the year	16.1	91.1	29.0	136.2
Additional amounts provided	0.9	4.3	56.6	61.8
Utilised	(5.5)	(3.6)	(41.9)	(51.0)
Unwinding of discount to present value	-	0.7	-	0.7
Carrying amount at the end of the year	11.5	92.5	43.7	147.7

(1) Provision for restoration and rehabilitation
Provisions for restoration and rehabilitation comprise obligations relating to reclamation, site closure and other costs and includes provisions recognised on acquisition of the Smorgon Steel Group Limited.
Because of the long-term nature of the liability, there is uncertainty in estimating the costs that will ultimately be incurred. The provision has been calculated using a discount rate of 5.59% (2008: 6.6%).

(2) Provision for legal and customer claims
Provision for customer claims relates to estimates of settlement with customers for alleged product liability and/or legal costs associated with such claims.

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

NOTE 19. RETIREMENT BENEFIT OBLIGATIONS

The OneSteel Group participates in a number of superannuation funds in Australia and New Zealand. 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.

Accumulation funds

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% of employees' wages and salaries are legally enforceable in Australia.

Defined benefit funds

The Group has two superannuation plans, 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 are now closed to new members.

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.

The following tables summarise the components of the net defined benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet for the respective plans.

NOTE 19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

	CONSOLIDATED	
	2009 $m	2008 $m
Net defined benefit expense		
Current service cost	18.2	17.9
Interest cost on benefit obligation	19.2	20.3
Expected return on plan assets	(26.2)	(31.7)
Salary sacrifice contributions	8.2	9.3
Net actuarial (gains)/losses recognised in the year	–	(1.2)
Past service cost	–	–
Effect of curtailments and settlements	–	–
Net defined benefit expense	19.4	14.6
Actual return on plan assets	(28.5)	(54.6)
Defined benefit liability included in the balance sheet		
Fair value of plan assets	303.8	348.4
Present value of defined benefit obligation	(376.4)	(361.3)
(Deficit)/surplus at the end of the year	(72.6)	(12.9)
Business combinations – acquisition of Smorgon Steel Group Limited[1]	–	1.4
Net actuarial losses/(gains) not yet recognised	70.9	4.7
Net defined benefit liability – non-current	(1.7)	(6.8)

(1) Fair value of Smorgon Steel Group Limited defined benefit funds as at 20 August 2007. Effective 1 June 2008, the Smorgon Steel Retirement Fund and the Smorgon Steel Staff Superannuation Fund were transitioned into the OneSteel Superannuation Fund.

The Group has no legal obligation to settle the defined benefit superannuation liability with an immediate contribution or additional one-off contributions.

	CONSOLIDATED	
	2009 $m	2008 $m
Changes in the present value of the defined benefit obligation		
Opening defined benefit obligation	361.3	356.5
Interest cost	19.2	20.3
Current service cost	18.2	17.9
Contributions by plan participants	8.8	9.8
Benefits paid	(41.1)	(37.2)
Business combinations	–	25.9
Actuarial (gains)/losses on obligation	10.0	(31.9)
Closing defined benefit obligation	376.4	361.3
Changes in the fair value of plan assets		
Opening fair value of plan assets	348.4	393.7
Expected return	26.2	31.7
Contributions by employer	24.5	18.7
Contributions by plan participants	0.6	0.5
Benefits paid	(41.2)	(37.2)
Business combinations	–	27.3
Actuarial gains/(losses)	(54.7)	(86.3)
Fair value of plan assets	303.8	348.4

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

	2009 %	2008 %
Australian equities	27.0	32.0
International equities	23.0	31.0
Property	7.0	7.0
Bonds	30.0	27.0
Alternatives	13.0	3.0

The expected rate of return on assets has been based on historical and future expectations of returns for each of the major categories of asset classes as well as the expected and actual allocation of plan assets to these major categories.

NOTE 19. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The principal actuarial assumptions used in determining defined benefit obligations for the Group's defined benefit plan is shown below:

	CONSOLIDATED	
Principal actuarial assumption	2009 % pa	2008 % pa
Discount rate	5.4	6.5
Expected rate of return on assets	7.2	8.0
Future salary increases	4.3	5.0
CPI Inflation	2.5	3.4

	2009 $m	2008 $m	2007 $m	2006 $m	2005 $m
Historic summary					
Defined benefit plan obligation	(376.4)	(361.3)	(356.5)	(340.8)	(316.6)
Plan assets	303.8	348.4	393.7	348.2	302.1
Surplus/(deficit)	(72.6)	(12.9)	37.2	7.4	(14.5)
Experience gains arising on plan liabilities	(2.5)	(29.6)	(9.3)	(18.2)	(4.8)
Experience losses arising on plan assets	(54.7)	(86.3)	33.9	40.3	11.0

Employer contributions

Excluding salary sacrifice contributions, the OneSteel Group intends to continue to contribute to the defined benefit section of the plan at a rate of at least 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 OneSteel 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" contribution) expected to be paid by the Group in respect of the defined benefit sections for the year ending 30 June 2010 are $10.4m.

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For the year ended 30 June 2009

NOTE 20. CONTRIBUTED EQUITY

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Contributed equity				
Issued capital (a)	3,749.8	2,942.1	3,749.8	2,942.1
Employee compensation shares (b)	(14.6)	(12.2)	(14.6)	(12.2)
Total contributed equity	3,735.2	2,929.9	3,735.2	2,929.9
(a) Share capital				
Number of ordinary shares: 1,325,811,294 (2008: 878,712,920)				
Issued and paid-up	3,749.8	2,942.1	3,749.8	2,942.1
(b) Employee compensation shares				
Number of ordinary shares: 2,569,901 (2008: 2,511,103)				
Shares held in trust under equity-based compensation arrangements	(14.6)	(12.2)	(14.6)	(12.2)

	NUMBER OF ORDINARY SHARES		VALUE OF ORDINARY SHARES	
	2009	2008	2009 $m	2008 $m
Movements in issued capital for the period				
On issue at the beginning of the year	878,712,920	575,734,010	2,942.1	1,163.8
Shares issued on the exercise of options[1]	35,332	92,558	-	0.1
Shares issued under an Institutional Placement and Entitlement Offer[2]	438,482,683	-	789.3	-
Transaction costs arising on share issue, net of tax	-	-	(12.6)	-
Shares issued as purchase consideration for Smorgon Steel Group Limited[3]	-	296,403,952	-	1,734.7
Shares issued under a dividend reinvestment plan[4]	8,580,359	6,482,400	31.0	43.5
On issue at the end of the year	1,325,811,294	878,712,920	3,749.8	2,942.1
Movements in employee compensation shares for the period				
Held in Trust at the beginning of the year	(2,511,103)	(3,344,814)	(12.2)	(10.2)
Shares vested and transferred to share-based payments reserve (Note 22)	761,126	2,016,457	2.6	5.2
Shares purchased on-market	(819,924)	(1,182,746)	(5.0)	(7.2)
Held in Trust at the end of the year	(2,569,901)	(2,511,103)	(14.6)	(12.2)

(1) Issued from the exercise of options under the Long-term Incentive Plan (refer Note 29). Due to the suspension of the option section of the Long-term Incentive Plan, there were no options issued during the year.

(2) On 30 April 2009, 191,190,831 ordinary shares were issued under the Institutional Entitlement Offer and 133,333,333 ordinary shares were issued under the Institutional Placement, at an issue price of $1.80 per share. On 12 May 2009, 113,958,519 ordinary shares were issued under the Retail Entitlement Offer at an issue price of $1.80 per share. Under the Entitlement offer, eligible shareholders were invited to participate on a pro-rata basis to their existing shareholdings by subscribing to 2 new OneSteel shares for every 5 OneSteel shares owned, at a price of $1.80 per share.

(3) Shares issued at $5.85 based on the volume weighted average price for OneSteel Limited shares listed on the Australian Securities Exchange on 20 August 2007 as purchase consideration for Smorgon Steel Group Limited.

(4) The dividend reinvestment plan provides shareholders with an opportunity to acquire additional ordinary shares in lieu of cash dividends. Shares were issued at $5.54 (October 2008) and $1.91 (April 2009).

Terms and conditions of contributed equity

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.

NOTE 21. RETAINED EARNINGS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
At the beginning of the year	503.6	420.3	144.7	132.7
Net profit	229.5	244.9	181.5	173.6
Dividends paid (Note 23)	(171.6)	(161.6)	(171.6)	(161.6)
At the end of the year	561.5	503.6	154.6	144.7

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For the year ended 30 June 2009

NOTE 22. RESERVES

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Foreign currency translation reserve	(22.0)	(84.4)	-	-
Cash flow hedge reserve	(5.5)	17.9	-	-
Share-based payments reserve	4.2	2.9	3.1	2.1
Asset revaluation reserve	1.8	1.8	-	-
	(21.5)	(61.8)	3.1	2.1
(a) Foreign currency translation reserve				
At the beginning of the year	(84.4)	2.9	-	-
Net investment hedges	(11.0)	14.6	-	-
Exchange fluctuations on overseas net assets	73.4	(101.9)	-	-
At the end of the year	(22.0)	(84.4)	-	-
(b) Cash flow hedge reserve				
At the beginning of the year	17.9	5.5	-	-
(Losses)/gains taken to equity	(22.9)	33.4	-	-
Transferred to finance costs	(5.3)	(16.6)	-	-
Transferred to initial carrying amount of hedged items on balance sheet	4.8	(4.4)	-	-
At the end of the year	(5.5)	17.9	-	-
(c) Share-based payments reserve				
At the beginning of the year	2.9	4.4	2.1	3.9
Expense recognised	3.9	3.7	-	-
Contribution to subsidiary	-	-	3.6	3.4
Transferred from employee compensation shares (Note 20)	(2.6)	(5.2)	(2.6)	(5.2)
At the end of the year	4.2	2.9	3.1	2.1
(d) Asset revaluation reserve				
At the beginning of the year	1.8	-	-	-
Revaluation of property, plant and equipment	-	1.8	-	-
At the end of the year	1.8	1.8	-	-

Nature and purpose of reserves

(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.

(b) Cash flow hedge reserve

The cash flow hedge reserve is used to record the portion of the gain or loss on a hedge instrument in a cash flow hedge that is determined to be an effective hedge.

(c) Share-based payments 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.

(d) Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of the pre-acquisition carrying amounts of property, plant and equipment acquired through business combinations, to their fair values.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2009

NOTE 23. DIVIDENDS

The following dividends have been paid, declared or recommended since the end of the preceding financial year in relation to the consolidated and parent entity:

	ON ORDINARY SHARES	DIVIDEND PER ORDINARY SHARE
2009	$m	cents
Interim fully franked dividend for 2009, paid 16 April 2009	53.0	6.0
Final fully franked dividend for 2008, paid 16 October 2008	118.6	13.5
	171.6	19.5
2008	$m	cents
Interim fully franked dividend for 2008, paid 17 April 2008	70.1	8.0
Final fully franked dividend for 2007, paid 18 October 2007	91.5	10.5
	161.6	18.5

Dividends not recognised at year end

In addition to the above dividends, since year end the directors have recommended the payment of an unfranked final dividend of 4.0 cents per fully paid ordinary share (2008: 13.5 cents, fully franked based on tax paid at 30%). The aggregate amount of the proposed dividend expected to be paid on 15 October 2009 but not recognised as a liability at year end is $53.0m (2008: $118.6m).

Dividend franking

	PARENT	
	2009 $m	2008 $m
The amount of franking credits available for the subsequent financial year, represented by the franking account balance at 30%	-	39.6

The balance of the franking account at year end has been adjusted for franking credits arising from the payment of provision for income tax and dividends recognised as receivables, franking debits arising from the payment of proposed franked dividends and franking credits that may be prevented from distribution in subsequent financial years.

NOTE 24. NOTES TO THE CASH FLOW STATEMENT

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
(a) Reconciliation to Cash Flow Statement				
Cash at balance date as shown in the Cash Flow Statement, is reconciled to the related items in the Balance Sheet as follows:				
Cash and cash equivalents	54.9	151.2	-	-
At call bank loan	(34.3)	(42.8)	-	-
	20.6	108.4	-	-
(b) Reconciliation of profit after tax to net cash flows from operating activities				
Profit after tax	239.6	255.1	181.5	173.6
Adjusted for non-cash items				
Depreciation and amortisation	199.5	194.9	-	-
Impairment of plant and equipment	2.3	17.6	-	-
Net gains on disposal of property, plant and equipment and intangible assets	(24.7)	(0.4)	-	-
Share of net loss of investments accounted for using the equity method	0.5	13.6	-	-
Impairment of carrying value of investment in controlled entity	-	-	7.5	-
Net fair value change on derivative financial instruments	0.8	(2.8)	-	-
Unrealised foreign exchange losses	14.8	-	-	-
Share-based payment expense	3.9	3.7	-	-
Finance costs	2.7	2.4	-	-
Changes in assets and liabilities net of effects of purchase and sale of controlled entities and businesses				
Decrease/(increase) in receivables	374.2	(144.0)	-	-
Decrease/(increase) in inventories	82.3	(79.6)	-	-
Decrease/(increase) in deferred tax balances	35.6	4.4	2.2	-
(Increase)/decrease in other assets	(23.6)	(8.5)	-	-
(Decrease)/increase in tax provisions	(118.3)	(0.9)	(79.0)	(11.7)
(Decrease)/increase in payables	(414.1)	80.7	36.9	(39.1)
(Decrease)/increase in provisions	(7.5)	14.6	-	-
Net cash flow from operating activities	368.0	350.8	149.1	122.8

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 24. NOTES TO THE CASH FLOW STATEMENT (CONTINUED)

(c) Non-cash investing and financing activities
(1) During the year, dividends of $31.0m (2008: $43.5m) were paid via the issue of shares under a dividend reinvestment plan. Refer to Note 20.

(2) In 2008, OneSteel Limited acquired 100% of the voting shares of Smorgon Steel Group Limited on 20 August 2007. Part of the purchase consideration was satisfied via the issue of 296,403,952 ordinary OneSteel Limited shares at $5.85 based on the volume weighted average price for the OneSteel Limited shares listed on the Australian Securities Exchange on that date. Refer to Note 20.

(d) Fair values
The carrying amount of the Group's cash and cash equivalents approximate their fair value.

(e) Acquisition of businesses
Assets arising as a result of minor business acquisitions made by the OneSteel Group during the year were as follows:

	CONSOLIDATED	
Assets and consideration given	2009 $m	2008 $m
Cash consideration paid	3.3	4.2
The carrying amounts of assets acquired by major classes are:[1]		
Inventories	0.5	0.2
Plant and equipment	0.1	0.7
Goodwill arising on acquisition	2.7	3.3
	3.3	4.2
Outflow of cash on minor business acquisitions		
Cash outflow	3.3	4.2

The businesses acquired during the year were as follows:

NAME OF BUSINESS	DATE OF ACQUISITION
Independent Steel Pty Ltd	27-Oct-08
Crestcity Investments Pty Ltd	01-Dec-08

(1) These carrying amounts are consistent with the carrying amounts of each of the classes of assets immediately before the combination.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 25. COMMITMENTS

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Capital commitments				
Commitments contracted for at balance date but not recognised as liabilities are as follows:				
Property, plant and equipment:				
Within one year	24.6	41.1	-	-
After one year but not more than five years	-	-	-	-
Longer than five years	-	-	-	-
Total capital commitments	24.6	41.1	-	-

Operating lease commitments
The OneSteel 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 as follows:

	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PARENT 2009 $m	PARENT 2008 $m
Within one year	80.1	75.9	-	-
After one year but not more than five years	158.9	168.4	-	-
Longer than five years	29.7	58.2	-	-
Total operating lease commitments	268.7	302.5	-	-

Finance lease commitments
The Group has finance leases and hire purchase contracts for various items of plant and machinery. These leases have terms of five years.

Future minimum lease payments under finance leases are as follows:

	CONSOLIDATED 2009 $m	CONSOLIDATED 2008 $m	PARENT 2009 $m	PARENT 2008 $m
Within one year	25.3	24.9	-	-
After one year but not more than five years	-	25.2	-	-
Minimum lease payments	25.3	50.1	-	-
Less: Future finance charges	(0.6)	(3.7)	-	-
Total lease liability	24.7	46.4	-	-
Lease liability – current	24.7	21.7	-	-
Lease liability – non-current	-	24.7	-	-
Total lease liability	24.7	46.4	-	-

The weighted average interest rate implicit in the leases is 8.2% (2008: 8.2%).

NOTE 26. CONTINGENCIES
(a) Contingent liabilities
Contingent liabilities at balance date not otherwise provided for in the financial statements are categorised as follows:

	CONSOLIDATED		PARENT	
	2009 $m	2008 $m	2009 $m	2008 $m
Guarantees and indemnities				
Bank guarantees covering:				
Workers' compensation self-insurance licences[1]	47.9	54.8	47.9	54.8
Performance of contracts	29.3	16.1	-	-

(1) In Australia, OneSteel Limited has given guarantees to various state workers' compensation authorities as a pre-requisite for self-insurance. Of this amount, a total of $35.1m (2008: $31.3m) has been provided for in the consolidated financial statements as recommended by independent actuarial advice.

As explained in Note 27, OneSteel has entered into a Deed of Cross Guarantee in accordance with a class order issued by the Australian Securities and Investments Commission. OneSteel 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 any of these companies are wound up.

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 products and services. Based on legal advice obtained, other than amounts already provided for in the accounts, the directors do not expect any material liability to eventuate.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 26. CONTINGENCIES (CONTINUED)
(b) Contingent assets
OneSteel Manufacturing Pty Ltd, a subsidiary of OneSteel Limited, made three claims on its insurer and reinsurers under its 2004 and 2005 policies for property damage and business interruption losses arising from disruptions to its blast furnace operations at Whyalla during the 2005 financial year.

Since making an interim progress payment of $5m in 2006, reinsurers have disputed liability to OneSteel's insurer under both policies on various grounds.

OneSteel's insurer has commenced formal proceedings against one reinsurer under the 2005 policy. OneSteel intends to pursue its claims against its insurer and reinsurers in accordance with all of its rights under its insurance policies.

Claims proceeds in addition to the progress payment and claims preparation costs will not be recognised in OneSteel's financial statements until these further proceeds can be estimated reliably.

NOTE 27. CONTROLLED ENTITIES
The consolidated financial statements at 30 June include the following controlled entities:

ENTITY	NOTE	PLACE OF INCORPORATION	% OF SHARES HELD 2009	2008
OneSteel Limited	(a),(b),(c)	Australia		
Aquila Steel Company Pty Ltd	(c)	Australia	100.0	100.0
Australian Wire Industries Pty Limited	(c)	Australia	100.0	100.0
AWI Holdings Pty Limited	(c)	Australia	100.0	100.0
J Murray-Moore (Holdings) Pty Limited	(c)	Australia	100.0	100.0
Metpol Pty Limited	(c)	Australia	100.0	100.0
XMS Holdings Pty Limited (formerly Midalia Steel Pty Limited)	(b),(c)	Australia	100.0	100.0
OneSteel Building Supplies Pty Limited	(c)	Australia	100.0	100.0
OneSteel Finance Pty Limited	(b)	Australia	100.0	100.0
OneSteel Insurance Pte Limited		Singapore	100.0	100.0
OneSteel Investments Pty Limited	(c)	Australia	100.0	100.0
OneSteel Manufacturing Pty Limited	(b),(c)	Australia	100.0	100.0
OneSteel MBS Pty Limited	(b),(c)	Australia	100.0	100.0
OneSteel NSW Pty Limited	(b),(c)	Australia	100.0	100.0
OneSteel NZ Limited		New Zealand	100.0	100.0
OneSteel Queensland Pty Limited	(c)	Australia	100.0	100.0
OneSteel Reinforcing Pty Limited	(b),(c)	Australia	100.0	100.0
Onesteel Trading Pty Limited	(b),(c)	Australia	100.0	100.0
OneSteel Wire Pty Limited	(b),(c)	Australia	100.0	100.0
Pipeline Supplies of Australia Pty Limited	(c)	Australia	100.0	100.0
Reosteel Pty Limited	(c)	Australia	100.0	100.0
Tubemakers of Australia Pty Ltd	(c)	Australia	100.0	100.0
Tubemakers Somerton Pty Limited	(c)	Australia	100.0	100.0
OneSteel NZ Holdings Limited (formerly Tubemakers of New Zealand Limited)		New Zealand	100.0	100.0
Certified Roofing Specialists Limited		New Zealand	50.3	50.3
Steel & Tube Holdings Limited		New Zealand	50.3	50.3
Steel & Tube New Zealand Limited		New Zealand	50.3	50.3
David Crozier Limited		New Zealand	50.3	50.3
EMCO Group Ltd		New Zealand	50.3	50.3
NZMC Limited		New Zealand	50.3	50.3
Stube Industries Limited		New Zealand	50.3	50.3
A.T. Pty Ltd	(e)	Australia	100.0	100.0
AB Metal Pty Ltd		Australia	100.0	100.0
ANI Australia Pty Limited (formerly ANI Australia Ltd)	(e)	Australia	100.0	100.0
ANI Construction (WA) Pty Ltd		Australia	100.0	100.0
ANI Finance (UK) Ltd		England	100.0	100.0
ANI Metal Products LLC		USA	100.0	100.0
ANI Mineral Processing LLC		USA	100.0	100.0
ANI Mining Services Pty Ltd	(e)	Australia	100.0	100.0
ANI Monosteel Pty Ltd (in liquidation)	(e)	Australia	100.0	100.0
ANI Xatal Pty Ltd		Australia	100.0	100.0
Arnall's Engineering Pty Ltd		Australia	100.0	100.0
Ashland Investments Pty Ltd		Australia	100.0	100.0
Australia Steel Holdings Pty Limited (formerly Austral Steel Holdings Limited)	(e)	Australia	100.0	100.0
Australian National Industries Pty Ltd		Australia	100.0	100.0
Banana Coast Recyclers Pty Ltd		Australia	100.0	100.0
Bradken Consolidated Pty Limited (formerly Bradken Consolidated Limited)	(e)	Australia	100.0	100.0
Cockatoo Dockyard Pty Ltd		Australia	100.0	100.0
Commonwealth Steel Company Pty Limited (formerly Commonwealth Steel Company Limited)	(e)	Australia	100.0	100.0
Comsteel Pty Ltd	(e)	Australia	100.0	100.0
Dane Taylor Holdings Pty Ltd		Australia	100.0	100.0
E & G Products Pty Ltd	(e)	Australia	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 27. CONTROLLED ENTITIES (CONTINUED)

ENTITY	NOTE	PLACE OF INCORPORATION	% OF SHARES HELD 2009	2008
E & G Steel Pty Ltd	(e)	Australia	100.0	100.0
Eagle & Globe Pty Limited (formerly Eagle & Globe Limited)	(e)	Australia	100.0	100.0
Email Holdings Pty Limited (formerly Email Holdings Limited)		Australia	100.0	100.0
Email Pty Ltd (refer details of the Email Pty Ltd Group below)	(f)	Australia	100.0	100.0
Fagersta Australia Pty Limited	(b)	Australia	100.0	100.0
Fagersta Steels Pty Limited	(b)	Australia	100.0	100.0
GSF Management Pty Ltd		Australia	100.0	100.0
Helix Cables International Pty Ltd		Australia	100.0	100.0
HP Metal Recycling (HK) Limited		Hong Kong	100.0	100.0
HP Metal Recycling Inc		Philippines	100.0	100.0
HPR Industrial (JB) Sdn Bhd		Malaysia	100.0	100.0
Investment Acceptance Pty Limited (formerly Investment Acceptance Limited)	(e)	Australia	100.0	100.0
John McGrath (QP) Pty Ltd		Australia	100.0	100.0
John McGrath Pty Ltd	(e)	Australia	100.0	100.0
Linstar Holdings Sdn Bhd		Malaysia	100.0	100.0
Litesteel Products Pty Limited		Australia	100.0	100.0
Litesteel Technologies America LLC		USA	100.0	100.0
Litesteel Technologies Pty Limited	(b)	Australia	100.0	100.0
M-Asia Enterprise (KL) Sdn Bhd		Malaysia	100.0	100.0
OneSteel Recycling Holdings Pty Limited (formerly Metalcorp Limited)	(b),(d)	Australia	100.0	100.0
SSX Recycling New Zealand Pty Limited (formerly Metalcorp Recyclers New Zealand Pty Limited)		Australia	100.0	100.0
OneSteel Recycling Pty Ltd (formerly Metalcorp Recyclers Pty Ltd)	(b),(d)	Australia	100.0	100.0
OneSteel Victoria Pty Limited (formerly Metalcorp Steel (Vic) Pty Limited)		Australia	100.0	100.0
Metalstores Pty Limited (formerly Metalstores Limited)	(e)	Australia	100.0	100.0
MI Steel (NSW) Pty Ltd		Australia	100.0	100.0
MI Steel (Qld) Pty Ltd		Australia	100.0	100.0
MI Steel (Sydney) Pty Ltd		Australia	100.0	100.0
MI Steel (Tas) Pty Ltd		Australia	100.0	100.0
MI Steel (Vic) Pty Ltd		Australia	100.0	100.0
Ming Sing Electronics Ltd		Hong Kong	100.0	100.0
Mittagong Engineering Pty Ltd		Australia	100.0	100.0
Northern Service Supplies Pty Ltd		Australia	100.0	100.0
OneSteel Asia Limited		Hong Kong	100.0	100.0
OneSteel Australian Tube Mills Pty Limited	(b),(g)	Australia	100.0	100.0
OneSteel Coil Coaters Pty Ltd (formerly Coil Coaters Pty Ltd)	(b),(d)	Australia	100.0	100.0
OneSteel Grinding Systems LLC		USA	100.0	100.0
OneSteel Group (US Holdings) Inc		USA	100.0	100.0
OneSteel Recycling Asia Limited		Hong Kong	100.0	100.0
OneSteel Recycling Hong Kong Limited		Hong Kong	100.0	100.0
OneSteel Recycling Inc		USA	100.0	100.0
OneSteel Recycling NZ Limited		New Zealand	100.0	100.0
OneSteel Recycling Overseas Pty Limited	(b)	Australia	100.0	100.0
OneSteel Recycling PNG Limited		PNG	100.0	100.0
OneSteel Technologies Pty Limited		Australia	100.0	100.0
OneSteel US Investments (General Partnership)		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
Australian Tube Mills Pty Limited	(b),(g)	Australia	100.0	100.0
P & T Tube Mills Pty Limited	(b),(g)	Australia	100.0	100.0
Palmer Tube Mills (NZ) Ltd		New Zealand	100.0	100.0
Palmer Tube Mills Pty Limited (formerly Palmer Tube Mills Limited)	(b),(g)	Australia	100.0	100.0
PT Commonwealth Steel Indonesia		Indonesia	100.0	100.0
QMR Inc		Philippines	100.0	100.0
SSX Employees Superannuation Fund Pty Limited (formerly Smorgon Steel Employees Superannuation Fund Pty Limited)		Australia	100.0	100.0
SSX Staff Superannuation Fund Pty Limited (formerly Smorgon Steel Staff Superannuation Fund Pty Limited)		Australia	100.0	100.0
SSX Singapore Pte Limited (formerly Smorgon Steel Singapore Pte Limited)		Singapore	100.0	100.0
OneSteel Recycling (Fiji) Limited (formerly Smorgon Steel Recycling (Fiji) Limited)		Fiji	100.0	100.0
SSX Retirement Fund Pty Ltd (formerly Smorgon Steel Retirement Fund Pty Limited)		Australia	100.0	100.0
Somerville Rehabilitation Services Pty Ltd		Australia	100.0	100.0
SSG Investments Pty Ltd		Australia	100.0	100.0
SSGL Share Plan Nominees Pty Ltd		Australia	100.0	100.0
SSG No 2 Pty Ltd	(e)	Australia	100.0	100.0
SSG No 3 Pty Ltd	(e)	Australia	100.0	100.0
SSX Acquisitions Pty Limited	(b),(d)	Australia	100.0	100.0
SSX Holdings Pty Limited	(e)	Australia	100.0	100.0
SSX International Pty Limited	(b),(d)	Australia	100.0	100.0

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 27. CONTROLLED ENTITIES (CONTINUED)

ENTITY	NOTE	PLACE OF INCORPORATION	% OF SHARES HELD 2009	2008
SSX Pty Limited (formerly SSX Ltd)	(b),(d)	Australia	100.0	100.0
SSX Services Pty Limited	(b),(d)	Australia	100.0	100.0
Steelmark Properties Pty Ltd		Australia	100.0	100.0
Tasco Superannuation Management Pty Ltd		Australia	100.0	100.0
Thai Metal Recycling Limited		Thailand	100.0	100.0
The ANI Corporation Pty Limited (formerly The ANI Corporation Limited)	(e)	Australia	100.0	100.0
The Australian Steel Company (Operations) Pty Ltd	(b),(d)	Australia	100.0	100.0
Titan Mining & Engineering Pty Ltd		Australia	100.0	100.0
TMR Loha Holdings Limited		Thailand	100.0	100.0
Tube Estates Pty Limited	(g)	Australia	100.0	100.0
Tube Street Pty Ltd	(e)	Australia	100.0	100.0
Tube Technology Pty Limited	(g)	Australia	100.0	100.0
WA Mining Engineering Services Pty Ltd		Australia	100.0	100.0
Western Consolidated Industries Pty Ltd	(e)	Australia	100.0	100.0
X.C.E. Pty Ltd	(e)	Australia	100.0	100.0
X.C.H. Pty Ltd	(e)	Australia	100.0	100.0
X.D.I.R. Pty Ltd		Australia	100.0	100.0
X.M.A.L. Pty Ltd		Australia	100.0	100.0
X.P. Pty Ltd		Australia	100.0	100.0
Zinctek Pty Limited	(g)	Australia	100.0	100.0
A.C.N. 006 769 035 Pty Ltd	(f)	Australia	100.0	100.0
A.C.N. 124 092 173 Pty Ltd		Australia	100.0	100.0
Akkord Pty Ltd	(f)	Australia	100.0	100.0
Atlas Group Employees Superannuation Fund Pty Ltd		Australia	100.0	100.0
Atlas Group Staff Superannuation Fund Pty Ltd		Australia	100.0	100.0
Atlas Group Superannuation Plan Pty Ltd		Australia	100.0	100.0
BGJ Holdings Pty Ltd	(f)	Australia	100.0	100.0
Email Accumulation Superannuation Pty Ltd		Australia	100.0	100.0
Email Executive Superannuation Pty Ltd		Australia	100.0	100.0
Email Management Superannuation Pty Ltd		Australia	100.0	100.0
Email Metals Pty Ltd	(f)	Australia	100.0	100.0
Email Superannuation Pty Ltd		Australia	100.0	100.0
Emwest Holdings Pty Ltd	(f)	Australia	100.0	100.0
Emwest Properties Pty Ltd	(f)	Australia	100.0	100.0
Kelvinator Australia Pty Ltd	(f)	Australia	100.0	100.0
Metals Properties Pty Ltd	(f)	Australia	100.0	100.0
National Valve and Engineering Co Pty Ltd		Australia	100.0	100.0
NKS (Holdings) Pty Ltd	(f)	Australia	100.0	100.0
O Dee Gee Co Pty Ltd	(f)	Australia	100.0	100.0
Overseas Corporation (Australia) Pty Ltd	(f)	Australia	100.0	100.0
Pipeline Supplies Malaysia Sdn Bhd		Malaysia	100.0	100.0
Roentgen Ray Pty Ltd	(f)	Australia	100.0	100.0
Wembley Insurance Pte Ltd		Singapore	100.0	100.0
XEM (Aust) Pty Ltd	(f)	Australia	100.0	100.0
XJM (Malaysia) Sdn Bhd		Malaysia	100.0	100.0
XLA Pty Ltd	(f)	Australia	100.0	100.0
XLL Pty Ltd	(f)	Australia	100.0	100.0

(a) OneSteel Limited is a public company limited by shares, incorporated and domiciled in Australia. The registered office is located at Level 40, 259 George St, Sydney NSW 2000, Australia.

(b) These companies have entered into a Deed of Cross Guarantee dated 10 June 2008 with OneSteel Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare an audited Financial Report.

(c) These companies were party to a Deed of Cross Guarantee dated 26 March 1993 with OneSteel Limited pursant to ASIC Class Order 94/1418. This deed has been revoked by a Deed of Revocation dated 12 September 2008.

(d) These companies were party to a Deed of Cross Guarantee dated 27 June 2007 with SSX Limited (formety known as Smorgon Steel Group Limited) pursant to ASIC Class Order 98/1418. This deed has been revoked by a Deed of Revocation dated 12 September 2008.

(e) These companies have entered into a Deed of Cross Guarantee with SSX Holdings Pty Ltd dated 27 June 2007 pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare an audited Financial Report.

(f) These companies have entered into a Deed of Cross Guarantee with Email Pty Limited dated 11 February 1993 pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare an audited Financial Report.

(g) These companies were party to a Deed of Cross Guarantee dated 27 June 2007 with Australian Tube Mills Pty Limited pursant to ASIC Class Order 98/1418. This deed has been revoked by a Deed of Revocation dated 12 September 2008.

The financial years of all controlled entities are the same as that of the parent entity, OneSteel Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 27. CONTROLLED ENTITIES (CONTINUED)
Deed of cross guarantee
Financial information for the class order closed group

	CLOSED GROUP	
	2009 $m	2008 $m
Consolidated Income Statement		
Profit before income tax	229.7	261.8
Income tax expense	(35.4)	
(63.6)		
Profit after tax	194.3	198.2
Summary of movements in consolidated retained earnings		
Retained earnings at the beginning of the financial year	407.4	370.8
Net profit	194.3	198.2
Dividends provided for or paid	(171.6)	
(161.6)		
Retained earnings at the end of the year	430.1	407.4
Consolidated Balance Sheet		
Current assets		
Cash and cash equivalents	12.8	87.7
Receivables	3,476.8	7,694.8
Derivative financial instruments	12.6	5.0
Inventories	1,038.2	1,119.9
Current tax assets	53.4	–
Other assets	10.6	10.1
Total current assets	4,604.4	8,917.5
Non-current assets		
Derivative financial instruments	–	16.4
Other financial assets	1,656.8	1,483.7
Property, plant and equipment	1,909.5	2,018.0
Mine development expenditure	108.4	87.7
Intangibles	1,940.1	2,107.3
Deferred tax assets	156.1	144.2
Other assets	0.3	–
Total non-current assets	5,771.2	5,857.3
TOTAL ASSETS	**10,375.6**	**14,774.8**
Current liabilities		
Payables	529.8	1,053.5
Derivative financial instruments	55.4	6.2
Interest-bearing liabilities	4,214.3	8,087.3
Current tax liabilities	–	10.2
Provisions	252.2	270.8
Total current liabilities	5,051.7	9,428.0
Non-current liabilities		
Derivative financial instruments	58.1	133.6
Interest-bearing liabilities	826.1	1,590.9
Deferred tax liabilities	214.8	183.2
Provisions	59.3	77.9
Total non-current liabilities	1,158.3	1,985.6
TOTAL LIABILITIES	**6,210.0**	**11,413.6**
NET ASSETS	**4,165.6**	**3,361.2**
Equity		
Contributed equity	3,735.2	2,929.9
Retained earnings	430.1	407.4
Reserves	0.3	23.9
TOTAL EQUITY	**4,165.6**	**3,361.2**

NOTE 28. RELATED PARTY DISCLOSURES

(a) Transactions with related parties in the wholly-owned group

Throughout the year, the parent entity, OneSteel Limited, entered into the following transactions with members of the wholly-owned group:

- Loans were received
- Interest was paid
- Management fees were received and paid
- Dividends were received
- Tax related transactions occurred within the tax consolidated group.

These transactions were undertaken on commercial terms and conditions.

	CONSOLIDATED		PARENT	
Transaction type	2009 $'000	2008 $'000	2009 $'000	2008 $'000
Loans to/(from) controlled entities				
Current receivables[1]	-	-	195,830	-
Current liabilities[2]	-	-	-	(672,266)
Current (liabilities)/receivables (tax sharing agreement)[3]	-	-	(94,900)	29,200
Interest paid	-	-	35,604	37,856

(1) An interest-bearing loan with an average interest rate of 2.1% in 2009.

(2) An interest-bearing loan with an average interest rate of 6.6% (2008: 7.3%).

(3) Tax related balances with wholly-owned Australian controlled entities under a tax sharing agreement.

Other transactions with controlled entities				
Management fees received	-	-	-	3,781
Management fees paid	-	-	-	(3,781)
Dividends received	-	-	200,000	200,000
(b) Transactions with jointly controlled entities				
Sale of wire products	-	1,351	-	-
Services rendered	-	898	-	-
Rental revenue	-	483	-	-
Services received	-	33	-	-
Purchase of structural pipe and tube	-	31,490	-	-

These transactions were undertaken on commercial terms and conditions.

(c) Ultimate controlling entity

The ultimate controlling entity of the OneSteel Group is OneSteel Limited.

NOTE 29. EMPLOYEE BENEFITS

	CONSOLIDATED	
	2009	2008
Number of employees as at 30 June	11,104	11,678
	$m	$m
The aggregate employee benefit liability is comprised of:		
Provisions (current)	221.9	236.0
Provisions (non-current)(1)	37.8	47.5
Total employee benefit liabilities	259.7	283.5

(1) Includes retirement benefit obligations amounting to $1.7m (2008: $6.8m). Refer to Note 19.

(a) Self-insurance workers' compensation provision

	CONSOLIDATED	
	2009 $m	2008 $m
Obligations under self-insurance workers' compensation licences included in provision for employee benefits		
New South Wales	25.1	21.6
Queensland	2.3	2.7
Victoria	4.3	3.7
South Australia	2.4	2.8
Western Australia	1.0	0.5
Total self-insurance workers' compensation provision	35.1	31.3

OneSteel provides the following share and option plans for employees:

(b) Employee share plans
OneSteel has two share plans under which eligible employees may acquire ordinary shares in the company. The most recent offer under the employee share plan was made in May 2008 to eligible employees as at 1 April 2008. There was no offer made in May 2009. All Australian resident permanent employees (excluding OneSteel Directors) are eligible to participate in either the Tax Exempt or Tax Deferred Share Plans. Both the Tax Exempt and Tax Deferred Plans enable participating employees to make salary sacrifice contributions to purchase shares on-market on a monthly basis. Under both plans, the company also grants to contributing participants a parcel of fully paid ordinary shares to the value of $125 per year for employees participating in the Tax Exempt Plan and $250 per year for employees participating in the Tax Deferred Plan for no cash consideration. The shares must be held in the plan for a minimum of three years whilst the participant remains an employee of OneSteel for the Tax Exempt Plan. For the Tax Deferred Plan, employee contribution shares must be held in the plan for a minimum of 12 months, and company contribution shares must be held in the plan for 24 months before they can be withdrawn.

During the year ended 30 June 2009, the matching shares granted by the company have been purchased on-market or allocated from surplus shares forfeited under either the employee share plan or the executive share plan. The matching shares are allocated each month at the same time as the employee contributed shares, which are purchased on the 15th of each month. The number of shares allocated to the employee is the offer amount divided by the weighted average price at which the company's shares are traded on the Australian Securities Exchange on the date of the puchase.

Offers under the scheme are at the discretion of the Company. All OneSteel shares acquired under the Tax Exempt and Tax Deferred Plans rank equally with all other OneSteel shares and carry dividend and voting rights.

All plan management and administration costs relating to the plans are met by the company.

	2009	2008
Total number purchased by employees during the year ('000s)	2,124	861
Weighted average fair value of shares granted during the period ($)	3.45	6.64

(c) Long Term Incentive Plan (LTI Plan)
The LTI Plan for senior management provides for the grant of rights over ordinary shares. During the year share rights were granted to eligible executives. The shares over which share rights are purchased and granted are held in trust until vested to the participant.

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 shares held in trust carry voting rights and the holder is entitled to any dividends paid during the vesting period.

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 OneSteel's performance in terms of total shareholder return. For each instalment, 50% of the shares will vest subject to OneSteel's TSR performance to the Base Index and the remaining 50% of shares will vest subject to OneSteel's performance to the Comparator Index.

NOTE 29. EMPLOYEE BENEFITS (CONTINUED)
Shares held in trust under the LTI Plan are as follows:

	2009		2008	
	Number '000s	Weighted average fair value $	Number '000s	Weighted average fair value $
Outstanding at the beginning of the year	2,511	3.76	3,344	2.47
Shares vested during the year	(761)	3.00	(2,016)	2.06
Shares purchased during the year	820	5.14	1,183	4.62
Outstanding at the end of the year	2,570	4.43	2,511	3.76

The fair value of the equity-settled share rights granted under the LTI Plan is estimated as at the date of grant using a Monte Carlo Simulation analysis taking into account the terms and conditions upon which the share rights were granted.

The following table lists the inputs to the model used.

	2009	2008
Dividend yield	4.05% - 8.58%	3.61%
Expected volatility	35%	26%
Risk-free interest rate	4.81% - 6.61%	6.07%
Expected life	3 years	3 years
Exercise price	–	–
Weighted average share price at grant date	$6.33	$6.04

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(d) Executive Option Plan
Prior to the year ended 30 June 2002, rights to options were issued to executives as part of the Executive Option Plan. Vesting is subject to the company achieving specific performance hurdles and a three-year qualifying period. The exercise price of each option is based on the weighted average price of OneSteel Limited shares traded on the Australian Securities Exchange for the five days up to and including the date they are granted.

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 OneSteel's performance in terms of total shareholder return. For each instalment, 50% of the shares will vest subject to OneSteel's TSR performance to the Base Index and the remaining 50% of shares will vest subject to OneSteel's performance to the Comparator Index.

All options expire on the earlier of their expiry date or termination of the employee's employment. No options expired during the year.

The contractual life of each option granted is nine years. There are no cash settlement alternatives.

The options do not entitle the holder to participate in any share issues of the company.

These options were all fully vested during the year ended 30 June 2005. No further options have been issued since those referred to above.

The following table illustrates the number and weighted average exercise price of and movements in the executive option plan:

	2009			2008		
	Number '000s	Weighted average exercise price $	Weighted average share price at date of exercise $	Number '000s	Weighted average exercise price $	Weighted average share price at date of exercise $
Outstanding at the beginning of the year(1)	368	1.0057	–	460	0.9999	–
Exercised during the period	(35)	0.9657	5.98	(92)	0.9760	6.84
Outstanding at the end of the year(1)(2)	333	1.0099	–	368	1.0057	–
Exercisable at the end of the year	333	1.0099	–	368	1.0057	–

(1) All options within this balance have not been recognised in accordance with AASB 2 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with AASB 2.

(2) The weighted average remaining contractual life for the share options outstanding and exercisable as at 30 June 2009 is between one and two years, with exercise prices of $0.9258 and $1.0434 (2008: $0.9258 and $1.0434).

Steel & Tube Holdings Limited
In 2009, 60,710 shares (2008: 18,870) were purchased whilst 50,390 (2008: 3,100) shares were vested in the employee share purchase scheme and 64,975 (2008: 53,660) shares were purchased and 16,365 (2008: 23,104) shares were vested in the executive share plan. Both schemes have a vesting period of a minimum of three years from grant date. The employee share scheme provides financial assistance, to a maximum of $2,340 in any three-year period, to eligible employees to purchase company shares. Rights to shares in the executive share scheme vest upon achieving Board approved targets based on total shareholder returns.

NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Details of Key Management Personnel

Directors

P J Smedley	Chairman (Independent, non-executive)
G J Plummer	Managing Director and Chief Executive Officer
R B Davis	Director (Independent, non-executive)
E J Doyle	Director (Independent, non-executive)
C R Galbraith	Director (Independent, non-executive)
P G Nankervis	Director (Independent, non-executive)
D A Pritchard	Director (Independent, non-executive)
N J Roach	Director (Independent, non-executive)
L G Cox	Director (Independent, non-executive)
G J Smorgon	Director (Independent, non-executive)

Executives

N Calavrias	Chief Executive Officer, Steel & Tube Holdings Limited (until 30 April 2009)
A Candy	Acting Chief Executive Officer, Steel & Tube Holdings Limited (appointed 1 May 2009)
A J Reeves	Chief Financial Officer
M R Parry	Chief Executive, Whyalla
A G Roberts	Chief Executive, Market Mills
L J Selleck	Executive General Manager, Technology, Safety & Services
R Jansen	Executive General Manager, Recycling (until 30 September 2008)
G A Waters	Chief Executive, Recycling (appointed 1 October 2008)
S H Hamer	Chief Executive, Distribution
C R Keast	Executive General Manager, Rod, Bar & Wire (until 27 February 2009)
A H Combe	Executive General Manager, Distribution (until 27 February 2009)

Compensation of Key Management Personnel

	CONSOLIDATED		PARENT	
	2009 $	2008 $	2009 $	2008 $
Short-term benefits	8,217,473	10,032,464	7,210,284	9,367,794
Post-employment benefits	581,220	597,051	581,220	553,997
Other long-term benefits	569,295	171,714	-	-
Termination benefits	3,010,697	-	2,088,438	-
Share-based payments	2,748,324	3,105,234	2,739,962	3,105,234
	15,127,009	13,906,463	12,619,904	13,027,025

The company has applied the exemption under Corporations Regulation 2M.3.03 which exempts 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.

Loans to Key Management Personnel

There were no loans made or outstanding to Key Management Personnel.

Other transactions and balances with Key Management Personnel

Key Management Personnel of OneSteel Limited and its related parties or their related entities, conduct transactions with entities within the OneSteel 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 below where the transactions are considered to be of interest to users of these financial statements.

In August 2007, OneSteel Limited, SSX Pty Limited (previously named Smorgon Steel Group Limited) and Smorgon Consolidated Investments Pty Ltd (of which G J Smorgon is a director) entered into a Deed of Restricted Licence under which Smorgon Consolidated Investments Pty Ltd granted OneSteel Limited and members of the SSX Pty Limited group a licence to use the Smorgon name for a transitional period of two years following the acquisition of SSX Pty Limited by OneSteel Limited. No payment was made in respect of the grant of the licence.

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NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Option holdings of key management personnel

2009	Held at 1 July 2008	Granted as remuneration	Options exercised	Net change other	Held at 30 June 2009	Vested and exercisable at 30 June 2009
Director						
G J Plummer	90,000	-	-	-	90,000	90,000
Executive						
M R Parry	45	-	-	-	45	45
Total	90,045	-	-	-	90,045	90,045

2008	Held at 1 July 2007	Granted as remuneration	Options exercised	Net change other	Held at 30 June 2008	Vested and exercisable at 30 June 2008
Director						
G J Plummer	90,000	-	-	-	90,000	90,000
Executive						
M R Parry	45	-	-	-	45	45
Total	90,045	-	-	-	90,045	90,045

(c) Share rights holdings of key management personnel

2009	Held at 1 July 2008	Granted as remuneration	On vesting of shares	Net change other	Held at 30 June 2009	Vesting 2 May 2010	Vesting 20 August 2010	Vesting 1 July 2011	Vesting 16 October 2011
Director									
G J Plummer	633,141	65,110	-	-	698,251	305,461	327,680	65,110	-
Executives									
A J Reeves	132,816	49,790	(50,896)	-	131,710	-	81,920	49,790	-
L J Selleck	93,270	38,300	(35,926)	-	95,644	-	57,344	38,300	-
M R Parry	105,245	38,300	(47,901)	-	95,644	-	57,344	38,300	-
A G Roberts	102,251	38,300	(44,907)	-	95,644	-	57,344	38,300	-
S H Hamer	75,307	38,300	(17,963)	-	95,644	-	57,344	38,300	-
G A Waters	-	67,421	-	-	67,421	-	-	-	67,421
C R Keast(1)	105,245	38,300	(105,245)	(38,300)	-	-	-	-	-
A H Combe(1)	90,551	38,300	(33,207)	(95,644)	-	-	-	-	-
Total	1,337,826	412,121	(336,045)	(133,944)	1,279,958	305,461	638,976	268,100	67,421

(1) The Board exercised its discretion upon the termination of C R Keast and A H Combe to allow partial vesting of the unvested shares held in the LTIP. 57,344 shares were vested to C R Keast while 38,300 were forfeited. 33,207 shares were vested to A H Combe while 95,644 were forfeited.

2008	Held at 1 July 2007	Granted as remuneration	On vesting of shares	Net change other	Held at 30 June 2008	Vesting 8 September 2008	Vesting 3 February 2009	Vesting 2 May 2010	Vesting 20 August 2010
Director									
G J Plummer	1,448,587	327,680	(1,143,126)	-	633,141	-	-	305,461	327,680
Executives									
A J Reeves	135,982	81,920	(85,086)	-	132,816	50,896	-	-	81,920
L J Selleck	121,012	57,344	(85,086)	-	93,270	35,926	-	-	57,344
M R Parry	71,725	57,344	(23,824)	-	105,245	47,901	-	-	57,344
C R Keast	71,725	57,344	(23,824)	-	105,245	47,901	-	-	57,344
A G Roberts	60,222	57,344	(15,315)	-	102,251	44,907	-	-	57,344
A H Combe	33,207	57,344	-	-	90,551	-	33,207	-	57,344
S H Hamer	45,190	57,344	(27,227)	-	75,307	17,963	-	-	57,344
Total	1,987,650	753,664	(1,403,488)	-	1,337,826	245,494	33,207	305,461	753,664

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NOTE 30. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(d) Shareholdings of key management personnel

2009	Held at 1 July 2008	Granted as remuneration	On exercise of options	On vesting of shares	Net change other	Held at 30 June 2009
Directors						
P J Smedley	251,418	41,764	-	-	117,273	410,455
G J Plummer	1,482,468	-	-	-	201,511	1,683,979
R B Davis	38,144	11,138	-	-	19,713	68,995
E J Doyle	128,107	11,138	-	-	30,000	169,245
C R Galbraith	100,330	11,138	-	-	44,588	156,056
P G Nankervis	35,752	11,138	-	-	-	46,890
D A Pritchard	90,889	11,138	-	-	41,894	143,921
N J Roach	216,104	11,138	-	-	159,497	386,739
L G Cox	269,431	11,138	-	-	21,228	301,797
G J Smorgon	55,187	11,138	-	-	-	66,325
Executives						
A J Reeves	241,578	-	-	50,896	207,834	500,308
L J Selleck	383,380	-	-	35,926	29,319	448,625
M R Parry	68,075	-	-	47,901	349	116,325
A G Roberts	16,859	-	-	44,907	-	61,766
S H Hamer	601	-	-	17,963	1,480	20,044
G A Waters	2,074	-	-	-	995	3,069
A Candy	-	-	-	-	-	-
Total	3,380,397	130,868	-	197,593	875,681	4,584,539

2008	Held at 1 July 2007	Granted as remuneration	On exercise of options	On vesting of shares	Net change other	Held at 30 June 2008
Directors						
P J Smedley	230,992	20,426	-	-	-	251,418
G J Plummer	339,342	-	-	1,143,126	-	1,482,468
R B Davis	22,470	5,447	-	-	10,227	38,144
E J Doyle	122,584	5,447	-	-	76	128,107
C R Galbraith	94,883	5,447	-	-	-	100,330
P G Nankervis	30,306	5,446	-	-	-	35,752
D A Pritchard	85,442	5,447	-	-	-	90,889
N J Roach	210,657	5,447	-	-	-	216,104
L G Cox	-	3,969	-	-	265,462	269,431
G J Smorgon	-	3,969	-	-	51,218	55,187
Executives						
N Calavrias	27,299	-	-	-	763	28,062
A J Reeves	283,296	-	-	85,086	(126,804)	241,578
L J Selleck	298,294	-	-	85,086	-	383,380
M R Parry	44,157	-	-	23,824	94	68,075
C R Keast	14,267	-	-	23,824	(37,624)	467
A G Roberts	1,544	-	-	15,315	-	16,859
A H Combe	-	-	-	-	-	-
S H Hamer	28,687	-	-	27,227	(55,313)	601
R Jansen	-	-	-	-	6,091	6,091
Total	1,834,220	61,045	-	1,403,488	114,190	3,412,943

The shareholdings of former key management personnel, at the date they ceased to be key management personnel, were as follows:

2009	Held at 1 July 2008	Granted as remuneration	On exercise of options	On vesting of shares	Net change other	Held on ceasing to be KMP
Executives						
C R Keast	467	-	-	105,245	-	105,712
A H Combe	-	-	-	33,207	-	33,207
R Jansen	6,091	-	-	-	-	6,091
N Calavrias	28,062	-	-	-	1,588	29,650

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NOTE 31. AUDITORS' REMUNERATION

	CONSOLIDATED 2009 $	CONSOLIDATED 2008 $	PARENT 2009 $	PARENT 2008 $
Amounts paid or payable to the auditor of OneSteel Limited, for:				
An audit or review of the financial report of the entity and any other entity in the consolidated group	975,000	1,021,500	-	-
Other services in relation to the entity and any other entity in the consolidated group				
Tax compliance	8,179	-	-	-
Assurance related	380,136	127,840	-	-
	1,363,315	1,149,340	-	-
Amounts paid or payable to other auditors for:				
An audit or review of the financial report of certain controlled entities in the consolidated group	201,305	170,082	-	-
Other services	67,502	17,008	-	-
	268,807	187,090	-	-

NOTE 32. FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, US private placements, (senior notes), finance leases, cash and short-term deposits and derivative financial instruments.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk, commodity risk and credit risk. The Group manages its exposure to key financial risks including interest rate and currency risk in accordance with the Group's financial risk management policy. The Group enters into derivative transactions, principally interest rate swaps, cross-currency interest rate swaps and forward exchange contracts. It is, and has been throughout the period under review, the Group's policy that no speculative trading in financial instruments shall be undertaken. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and commodity prices. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts comparing projected debt levels for the next 12 months against total committed facilities.

Primary responsibility for identification and control of financial risks rests with the Treasury Committee under the authority of the Board. Responsibility for credit risk rests with the Chief Financial Officer. The Board reviews and agrees policies for managing each of the risks identified below.

(b) Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt borrowings. The objective of Group 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.

Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to manage its interest cost using a mix of fixed and floating interest rate debt, where fixed is defined as a fixed rate for 12 months or longer. The Group's policy is to keep 30% to 70% of the lesser of the expected usage of borrowings or the committed exposure to a minimum of five years at fixed rates of interest.

To manage this mix in a cost-efficient manner, the Group enters into interest rate swaps, where the Group agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.

The Group has also entered into fixed to floating interest rate swaps to hedge the interest rate risk arising where it has borrowed at fixed rates in foreign currency. The interest rate swaps are cross-currency swaps.

The Group analyses its interest rate exposure on a dynamic basis. Within this analysis, consideration is given to potential renewals of existing positions, alternative financing, alternative hedging positions and the mix of fixed and variable interest rates. Of the net floating exposure, 82% is fixed through the interest rate swaps (2008: 33%).

NOTE 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

At balance date, the Group had the following mix of financial assets and liabilities exposed to variable interest rates:

	CONSOLIDATED			
	2009		2008	
	Weighted average interest rate %	$m	Weighted average interest rate %	$m
Financial assets				
Cash and cash equivalents	1.1	54.9	5.5	151.2
Trade receivables	12.1	14.8	13.5	23.2
Financial liabilities				
Bank loans	3.9	(644.1)	8.3	(1,737.4)
Net exposure before hedging		**(574.4)**		**(1,563.0)**
Cross-currency interest rate swaps[1]	4.6	164.9	8.1	133.6
Interest rate swaps[1]	6.5	(530.0)	6.4	(570.0)

(1) Notional principal amounts.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At 30 June, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	CONSOLIDATED			
	Post-tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2009 $m	2008 $m	2009 $m	2008 $m
+1% (100 basis points) – AUD	(3.2)	(11.4)	5.5	7.2
–1% (100 basis points) – AUD	3.2	11.4	(5.5)	(7.2)

The movements in profit are due to lower interest costs from variable rate debt and cash balances. The movement in equity is due to decrease in the fair value of derivative instruments designated as cash flow hedges. The sensitivity is lower in 2009 than 2008 due to a value of the exposure and timing of payments at balance date.

There is no significant interest rate risk borne by the parent entity.

(c) Foreign currency risk

The Group's primary sources of foreign currency risk are sales of product and purchases of inventory by business units in a currency other than the Australian dollar; purchases of commodity inputs priced in USD or with an AUD price determined by a USD-based international price; capital expenditure denominated in a foreign currency and overseas operations.

The Group requires all business units to use forward exchange contracts to eliminate the currency exposures on any individual transactions in excess of USD 500,000 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. The forward exchange contracts must be in the same currency as the underlying exposure.

During the year, the Group made $1,439.4m (2008: $1,128.4m) in purchases and $1,550.7m (2008: $1,480.8m) in sales denominated in foreign currencies.

Net investment hedges

The Group seeks to mitigate its exposure to foreign currency translation risk on the value of the net assets of its US-based operations by borrowing in USD. The first AUD 95m of the Group's investment in foreign operations is hedged in this manner. Refer to Note 17 and Note 8.

OneSteel also has foreign currency exposure arising from its US private placements (refer to Note 17). Part of this exposure has been hedged using a series of cross-currency interest rate swaps designated as either cash flow or fair value hedges.

The Group has exposure to foreign exchange translation risk in relation to NZD denominated assets and liabilities of its 50.3% share of Steel & Tube Holdings. The Group does not seek to hedge this exposure, but instead monitors the position so as to ensure that the movement in the foreign currency translation reserve does not impact equity so adversely as to place any financial covenants at risk.

NOTE 32. FINANCIAL RISK MANAGEMENT (CONTINUED)
The Group's exposure to foreign currency risk at the reporting date was as follows (in AUD):

	CONSOLIDATED					
	2009			2008		
	USD $m	NZD $m	Other[1] $m	USD $m	NZD $m	Other[1] $m
Cash and cash equivalents	5.4	1.6	0.1	3.6	2.2	0.3
Net investment in foreign operations	420.3	113.1	-	431.8	105.0	-
Trade and other receivables	54.0	1.9	0.9	23.1	7.0	0.7
Trade and other payables	(34.6)	-	(10.7)	(13.9)	(0.4)	(6.3)
Bank loans	(362.8)	-	-	(328.8)	-	-
Net exposure before hedging	82.3	116.6	(9.7)	115.8	113.8	(5.3)
Forward exchange contracts - buy	193.7	0.6	8.8	159.6	15.3	30.5
Forward exchange contracts - sell	63.6	0.8	7.1	164.5	7.2	-

(1) Japanese Yen, Euro, Swedish Kroner, Pounds Sterling, Canadian Dollars.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the balance sheet date:

At reporting date, had the Australian dollar/US dollar exchange rate moved with all other variables held constant, post-tax profit and equity would have been affected as follows:

Judgements of reasonably possible movements:

	CONSOLIDATED			
	Post-tax profit Higher/(Lower)		Equity Higher/(Lower)	
	2009 $m	2008 $m	2009 $m	2008 $m
AUD/USD +10%	11.0	16.7	(16.6)	(13.4)
AUD/USD -10%	(10.8)	(15.7)	16.9	14.1

The movements in profit in 2009 are less sensitive than in 2008 due to the value of foreign currency hedges outstanding and the movements in equity in 2009 are more sensitive than in 2008 due to the lower value of the AUD at balance date.

Sensitivity to movements in currencies other than the USD is not considered material to the Group.

Management believe the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

There is no foreign currency risk borne by the parent entity.

(d) Commodity price risk
The primary sources of commodity risk for the Group are zinc purchases in USD; aluminium purchases which are made in AUD but with prices set in USD; energy purchases made in AUD that can be subject to long-term contracts; scrap purchases made outside the OneSteel Group and diesel purchases. Commodity risk is measured by the effect of price movement sensitivities applied to annual usage estimated by the business units.

Commodity price risk is managed by either putting in place fixed price contracts, fixed price swaps or options.

The Group's exposure to commodity risk is not significant.

(e) Credit risk
Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and derivative instruments. The Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Group does not hold any credit derivatives to offset its credit exposure. The credit risk on any one counterparty with respect to receivables and derivative financial instruments is not significant.

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 debt 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.

(f) Liquidity risk
The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans, US private placement and finance leases. In addition to committed facilities, OneSteel has 11am money market lines and an overdraft facility that assists with intra-month cash management. Debt maturities will be spread out to limit risk on debt rollover.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The Group's policy is that not more than 40% of committed facilities should mature in any 12-month period.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2009

NOTE 32. FINANCIAL RISK MANAGEMENT (CONTINUED)

Financing arrangements

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

	CONSOLIDATED	
	2009 $m	2008 $m
Floating rate		
Expiring within one year	-	50.0
Expiring beyond one year	1,554.0	630.0
	1,554.0	680.0

Maturity analysis of financial assets and liabilities

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

For all other obligations the respective undiscounted cash flows are presented. Cash flows for financial assets and liabilities without fixed amount of timing are based on the conditions existing at balance date.

CONSOLIDATED	0-12 MONTHS $m	1-5 YEARS $m	>5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m
2009				
Financial assets				
Cash and cash equivalents	54.9	-	-	54.9
Trade and other receivables	827.1	-	-	827.1
Derivative financial instruments				
- Forward exchange contracts	154.2	4.1	-	158.3
Other financial assets	2.2	-	-	2.2
				1,042.5
Financial liabilities				
Trade and other payables	613.7	-	-	613.7
Derivative financial instruments				
- Forward exchange contracts	200.0	3.2	-	203.2
- Interest rate swaps	13.9	7.4	-	21.3
- Cross-currency interest rate swaps	37.4	21.1	12.6	71.1
Bank loans	25.0	610.0	-	635.0
US Private Placement	156.5	148.2	689.7	994.4
HRC Securitisation facility	-	2.1	-	2.1
Finance lease liabilities	25.3	-	-	25.3
				2,566.1
Net contractual cash flows				(1,523.6)

NOTE 32. FINANCIAL RISK MANAGEMENT (CONTINUED)
Financing arrangements (continued)

CONSOLIDATED	0-12 MONTHS $m	1-5 YEARS $m	>5 YEARS $m	TOTAL CONTRACTUAL CASH FLOWS $m
2008				
Financial assets				
Cash and cash equivalents	151.2	-	-	151.2
Trade and other receivables	1,185.3	-	-	1,185.3
Derivative financial instruments				
- Forward exchange contracts	240.0	-	-	240.0
- Interest rate swaps	16.3	15.0	-	31.3
Other financial assets	-	4.2	-	4.2
				1,612.0
Financial liabilities				
Trade and other payables	1,014.8	-	-	1,014.8
Derivative financial instruments				
- Forward exchange contracts	194.0	3.1	-	197.1
- Interest rate swaps	7.7	3.0	-	10.7
- Cross-currency interest rate swaps	18.5	108.0	26.9	153.4
Bank loans	404.0	1,270.0	-	1,674.0
US Private Placement	-	186.0	114.0	300.0
HRC Securitisation facility	15.4	-	-	15.4
Finance lease liabilities	24.9	25.2	-	50.1
				3,415.5
Net contractual cash flows				(1,803.5)

NOTE 32. FINANCIAL RISK MANAGEMENT (CONTINUED)
(g) Capital risk management

The Group's objective when managing capital is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The Board also aims to 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/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 lower 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 reporting date were as follows:

	CONSOLIDATED 2009 $m	2008 $m
Total debt	1,278.8	2,098.4
Less: Cash and cash equivalents	(54.9)	(151.2)
Net debt	**1,223.9**	**1,947.2**
Total equity	4,336.3	3,429.4
Less: Minority interests	(61.1)	(57.7)
Equity	**4,275.2**	**3,371.7**
Net debt plus equity	**5,499.1**	**5,318.9**
Gearing ratio	**22.3%**	**36.6%**

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NOTE 33. BUSINESS COMBINATIONS

(a) Summary of acquisitions

The initial accounting for the acquisition of Smorgon Steel Group Limited on 20 August 2007 had been determined provisionally as at 30 June 2008. In accordance with Accounting Standard AASB 3 Business Combinations, the Group had 12 months from the date of acquisition to complete the allocation of the cost of the business combination to the assets, liabilities and contingent liabilities acquired.

The allocation was finalised in August 2008 and, accordingly, the 2008 comparative information has been restated to present the carrying amounts of assets, liabilities and contingent liabilities acquired, as if the initial accounting had been completed from the date of acquisition. An explanation of how the fair value adjustments have affected the balance sheet is set out in the following table and accompanying note.

The finalisation of the fair value adjustments had no impact on the Income Statement for the year ended 30 June 2008.

(b) Reconciliation of total equity as at 30 June 2008

	CONSOLIDATED
	June 2008 $m
Total equity, as previously stated	**3,432.9**
Net foreign currency differences on translation of goodwill allocated to foreign operations(1)	(3.5)
Total equity, restated	**3,429.4**

(1) Foreign currency translation reserve

Goodwill and fair value adjustments to the carrying amount of assets and liabilities arising from the acquisition of foreign operations as part of Smorgon Steel Group Limited have been allocated to the foreign operations from the acquisition date. They have been expressed in the functional currency of the foreign operation and translated at the rate prevailing at the balance sheet date. The comparative information has been restated to reflect this and to include foreign currency differences arising on the translation of goodwill allocated to foreign operations.

NOTE 34. EVENTS AFTER BALANCE SHEET DATE

There have been no circumstances arising since 30 June 2009 that have significantly affected or may significantly affect:

(a) the operations;

(b) the results of those operations; or

(c) the state of affairs of the entity or consolidated entity in future financial years.

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DIRECTORS' DECLARATION

In the Directors' opinion:

(a) the financial statements and accompanying notes are in accordance with the Corporations Act 2001, including:

(i) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the financial year ended on that date; and

(b) 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

(c) the Remuneration Report contained in the Directors' Report complies with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Regulations 2001; and

(d) at the date of this declaration there are reasonable grounds to believe that the members of the Closed Group identified in Note 27 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 27.

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.

Signed in accordance with a resolution of the Directors.

PETER SMEDLEY / Chairman

GEOFF PLUMMER / Managing Director

Sydney
18 August 2009

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INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ONESTEEL LIMITED

Report on the financial report

We have audited the accompanying financial report of OneSteel Limited (the company), which comprises the balance sheets as at 30 June 2009, and the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 34 and the directors' declaration [set out on pages 56 to 112 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 and fair presentation 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 (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's and the Group's financial position and of their 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 OneSteel Limited is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and the Group's financial position as at 30 June 2009 and of their performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the Group also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 48 to 53 of the Directors' Report for the year ended 30 June 2009. 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 OneSteel Limited for the year ended 30 June 2009 complies with section 300A of the Corporations Act 2001.

KPMG

David Rogers

KPMG **DAVID ROGERS** / Partner

Sydney
18 August 2009

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SHAREHOLDER INFORMATION

Shareholder Information

There were 111,759 shareholders at 4 September 2009. There is only one class of share, ordinary fully paid shares. All issued shares carry voting rights on a one-for-one basis.

Distribution of shareholders at 4 September 2009

RANGE OF HOLDINGS	NUMBER OF SHAREHOLDERS	% OF TOTAL HOLDERS	NUMBER OF SHARES	% OF TOTAL SHARES
1-1,000	48,639	43.52	22,700,382	1.71
1,001-5,000	44,193	39.54	103,122,480	7.78
5,001-10,000	10,545	9.44	76,501,623	5.77
10,001-100,000	8,109	7.26	172,126,038	12.98
Over 100,000	273	0.24	951,399,419	71.76
Total	**111,759**	**100.00**	**1,325,849,942**	**100.00**

Twenty largest shareholders at 4 September 2009

SHAREHOLDER	NUMBER OF SHARES	% INTEREST	RANK
J P Morgan Nominees Australia Ltd	221,683,182	16.72	1
National Nominees Ltd	176,146,062	13.29	2
HSBC Custody Nominees (Australia) Ltd	170,714,948	12.88	3
Citicorp Nominees Pty Ltd	45,926,605	3.46	4
Citicorp Nominees Pty Ltd	32,057,625	2.42	5
Cogent Nominees Pty Ltd	30,976,810	2.34	6
Queensland Investment Corporation	20,978,845	1.58	7
ANZ Nominees Ltd	19,978,774	1.51	8
UBS Nominees Pty Ltd	19,771,138	1.49	9
AMP Life Ltd	16,590,783	1.25	10
CPU Share Plans Pty Ltd	10,503,256	0.79	11
Leverton Downs Pty Ltd	10,341,581	0.78	12
Raylou Investments Pty Ltd	9,176,072	0.69	13
ANZ Nominees Ltd	8,236,973	0.62	14
Citicorp Nominees Pty Ltd	7,536,585	0.57	15
Argo Investments Ltd	5,779,109	0.44	16
Citicorp Nominees Pty Ltd	5,253,339	0.40	17
RBC Dexia Investor Services Australia Nominees Pty Ltd	4,922,391	0.37	18
RBC Dexia Investor Services Australia Nominees Pty Ltd	4,757,627	0.36	19
Cogent Nominees Pty Ltd	4,007,512	0.30	20
Total top 20 shareholders	**825,339,217**	**62.26**	
Total all shareholders	**1,325,849,942**	**100.00**	

Unmarketable parcels

There were 7,516 members holding less than a marketable parcel of shares in the company as at 4 September 2009.

Listing

The company's shares are quoted on the Australian Securities Exchange (ASX:OST).

Substantial shareholders

There are no substantial shareholders as defined by the Corporations Act 2001 (holding at least 5% of shares).

Unquoted equity securities

Options over ordinary shares issued pursuant to the OneSteel executive share/option plan:

- Number of employees participating 10
- Number of securities 266,358

SHAREHOLDER INFORMATION
(CONTINUED)

Share Registry
Shareholders with queries about anything related to their shareholding should contact the OneSteel Share Registry on telephone 1300 364 787 or +61 3 9415 4026. Alternatively, shareholders may wish to write to:

Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne VIC 3001
or on facsimile: +61 3 9473 2500.

Inquiries can also be sent via email to:
onesteelshareregistry@computershare.com.au

Details of individual shareholdings can be checked conveniently and simply by visiting OneSteel's Share Registrar's website at www.computershare.com and clicking on the Investor Centre button. For security reasons, you will be required to enter your Securityholder Reference Number (SRN) or Holder Identification Number (HIN) along with your family name and postcode to enable access to personal information.

Dividends
The company proposes to pay dividends in October and April. Shareholders should retain for taxation purposes full details of dividend payments.

The following are the only options available to shareholders regarding payment of dividends:
- Direct deposit to an Australian bank, building society or credit union account
- Direct deposit to a New Zealand bank account
- Cheques will be made payable to the shareholders whose registered address is outside of Australia and New Zealand and who do not have an Australian or New Zealand bank account.

Lost or stolen cheques should be reported immediately, in writing, to the OneSteel Share Registry to enable stop payment and replacement.

Where shareholders have their dividends paid by direct deposit, payments are electronically credited on the dividend date and confirmed by a payment advice sent to the shareholder. Request forms for this service are available from the OneSteel Share Registry or by visiting www.computershare.com. OneSteel encourages its shareholders to avail themselves of the direct deposit facility.

Dividend Reinvestment Plan
As an alternative to receiving cash dividends, eligible shareholders may elect by notification to the OneSteel Share Registry, in writing, to participate in the Dividend Reinvestment Plan (DRP). The DRP enables shareholders to use cash dividends to purchase fully paid OneSteel ordinary shares.

Tax file numbers
OneSteel is required to withhold tax at the rate of 46.5% on any unfranked component of dividends or interest paid to investors residing in Australia who have not supplied the company with a tax file number (TFN) or exemption form. Investors are not required by law to provide their TFN if they do not wish to do so.

Securities Exchange listing
OneSteel is listed on the Australian Securities Exchange (ASX:OST). All shares are recorded on the principal share register, which is located in New South Wales.

Internet address
Information about OneSteel including company announcements, presentations, annual reports and key dates for investors can be obtained from the shareholder information section of the OneSteel website at: www.onesteel.com

Buy-back
There is no current on-market buy-back in place.

Publications
The company's Annual Report is the primary source of information for investors and is mailed to shareholders who have elected to receive a copy in October.

Other sources of information, available on the internet include:
- The Chairman's address to the Annual General Meeting (AGM)
- The half-year financial report reviewing the July-December six-month result
- The announcement of the full financial year result
- Statements lodged with the Australian Securities Exchange (ASX)
- Webcasts of Annual General Meetings
- Webcasts of financial result presentations to fund managers and financial analysts
- Other presentations and briefings given to fund managers and financial analysts including those during site visits
- Board and Committee charters as well as other company policies that are likely to be of interest to shareholders and potential investors
- General information on the company and its activities.

Shareholders wishing to receive company information electronically via email, instead of by mail, may register their email address with the company's online shareholder registry as follows:

Visit www.computershare.com, then click on Investor Centre, then click on Registry Service, then click on Your Shareholding. Next, type the company name, OneSteel Limited, or simply the company code, OST and then, next to Check Your Securities, click the "Go" button. You will then need to enter your personal security information; Holder Identification Number (HIN) or Securityholder Reference Number (SRN); family or company name and postcode; and click "Go". From there, click on "Go" for Communication Details and follow the prompts. After you have entered your email address and selected which publications you wish to receive, an email will be sent to you for confirmation purposes. When you receive this email, just click on "Reply" to confirm your details and then "Send".

Change of address
Issuer sponsored shareholders should notify the OneSteel Share Registry immediately, in writing and signed by the shareholder(s), of any change to the registered address. For added security, shareholders should quote their previous address and Securityholder Reference Number (SRN). CHESS uncertificated shareholders should advise their sponsoring broker or non-broker participant.

Removal from mailing list
Shareholders who do not wish to receive the Annual Report should advise the OneSteel Share Registry, in writing, noting their SRN or HIN.

Change of name
Shareholders who change their name should notify the OneSteel Share Registry, in writing, and attach a certified copy of a relevant marriage certificate or deed poll.

OneSteel and Smorgon Merger Scheme
The Australian Taxation Office (ATO) class ruling in relation to scrip for scrip relief for Smorgon Steel Group Limited shareholders in connection with the merger stated that the ASX VWAP of $5.8531 for a OneSteel Limited share on the Implementation Date of 20 August 2007 would be accepted as the market value of the capital proceeds received by Smorgon Steel shareholders for disposal of each of their Smorgon Steel shares to OneSteel.

The ATO has published on its website an important document for people who were shareholders of Smorgon Steel at the time of the merger on 20 August 2007. The document provides instructions that will enable specified individual shareholders to work out their income tax obligations arising from the merger and update their capital gains tax records.

The link to the ATO website is: http://www.ato.gov.au/individuals/content.asp?doc=/content/00129273.htm

STATISTICAL SUMMARY

FINANCIAL RATIOS Year ended 30 June $A millions	FY09[1]	FY08[2]	FY07[3]	FY06[4]	FY05[5]	FY04[6]	FY03	FY02	FY01 Excl prov proforma	% change 09/08
Sales	7,241.5	7,434.3	4,300.6	4,004.6	3,938.5	3,269 2	3,060.6	2,906.0	2,637.7	(2.6%)
Other Revenue/Income	66.3	50.5	33.9	39.0	34.6	70.1	39.5	80.5	141.5	31.3%
Total Revenue/Income	7,307.8	7,484.8	4,334.5	4,043.6	3,973.1	3,339.3	3,100.1	2,986.5	2,779.2	(2.4%)
Gross Profit	1,587.5	1,681.2	837.2	798.7	787.0	642 6	626.2	528.4	489 6	(5.6%)
EBITDA - Underlying	661.2	807.7	436.1	396.7	377.1	324.2	307.6	251.0	202.6	(18.1%)
Depreciation and Amortisation	(199.5)	(194.9)	(96.2)	(94.0)	(97.5)	(87.1)	(86 5)	(84.2)	(84.2)	2 4%
EBIT - Underlying	461.7	612.8	339.9	302.7	279.6	237.1	221.1	166.8	118.4	(24.7%)
Finance costs	(172.2)	(159.6)	(55.8)	(56.7)	(53.6)	(42.2)	(44.5)	(54.4)	(61.8)	7.9%
Profit before tax - Underlying	289.5	453.2	284.1	246.0	226.0	194.9	176.6	112.4	56.6	(36.1%)
Tax expense - Underlying	(64.1)	(128.0)	(74.7)	(60 8)	(55.4)	(53.4)	(53.3)	(39 0)	(12.1)	(49.9%)
Profit after tax - Underlying	225.4	325.2	209.4	185.2	170.6	141.5	123.3	73.4	44.5	(30.7%)
Minority interests	(10.1)	(10.2)	(11.9)	(13.6)	(17.5)	(12.4)	(9.5)	(7.4)	(5.9)	(1.0%)
Net Profit After Tax - Underlying	215.3	315.0	197.5	171.6	153.1	129.1	113.8	66.0	38.6	(31.7%)
Non-trading items, net of tax	14.2	(70.1)	9.5	15.9	49.7	(1.2)	(19.8)	(18.9)	(15.0)	(120.3%)
Net Profit after Tax - Statutory	229.5	244.9	207.0	187.5	202.8	127.9	94.0	47.1	23.6	(6.3%)
Total Assets	6,933.1	7,291.5	3,569.5	3,138.8	3,087.1	2,803.2	2,577.0	2,582.0	2,710.8	(4 9%)
Inventory	1,239.9	1,298.9	836.3	758 9	836.7	704.6	591.0	574.1	540.3	(4.5%)
Total Liabilities	2,596.8	3,862.1	1,919.5	1,637.2	1,698.8	1,429.8	1,292 0	1,359 4	1,594.6	(32.8%)
Funds Employed	5,560.2	5,376.6	2,419.8	2,140.4	2,033 6	2,042.4	1,955.2	1,994.2	2,069.6	3.4%
Total Equity	4,336.3	3,429.4	1,650.0	1,501.6	1,388.3	1,373.4	1,285 0	1,222.6	1,116.2	26 4%
Net Debt - Statutory[7]	1,223.9	1,947.2	769.8	638.8	645.3	669 0	670.2	771.6	953.4	(37 2%)
Net Debt (including derivatives)[8]	1,323.0	2,064.4	831.1	688 2	645.3	669 0	670.2	771.6	953.4	(35.9%)
No of shares (at end of period)	1,323.2	876.2	572.4	566.2	560.8	554.9	546.9	538.6	460.3	51.0%
Operating cash flow - Underlying	368 0	350.8	276.5	250.8	235.9	188.3	257.7	92.6	290.3	4.9%
Free Cash Flow - Underlying	183 2	215.3	157.4	203.4						(14.9%)
Free Cash Flow	180 4	43.9	(81.4)	36.4	109.0	43.9	156.2	21.8	220.8	310 9%
Capital and investment expenditure	190.9	2,475.0	360.5	227 6	127.5	151 4	130 9	70.8	108.4	(92.3%)
Return on Assets % - Underlying	6.5	8.4	10.1	9.7	9.5	8.8	8.6	6.3	4.4	-1.9pts
Return on Equity % - Underlying	5.7	9.4	13 4	12.8	12.1	10.2	9.5	6.2	3.9	-3.7pts
Return on Funds Employed % (ROFE) - Underlying	8 4	11.3	15.0	14.5	13.5	11.6	11.0	8.1	5.7	-2.9pts
Sales Margin % - Underlying	6 4	8.2	7.9	7.6	7.1	7.3	7.2	5.7	4.5	-1 8pts
Gross Profit Margin %- Underlying	21.9	22.6	19.5	19.9	20.0	19.7	20.5	18.2	18.6	-0.7pts
Earnings Per Share (cents) - Year end - Underlying[9]	16.3	36.0	34.5	30 3	27.3	23.3	20.8	12.3	5.1	(54.7%)
Earnings Per Share (cents) - Weighted Average - Underlying[9]	21.2	34.9	34.7	30 5	27.5	19.6	17.3	9.3		
Earnings Per Share (cents) - Weighted Average - Statutory[9]	22.6	27.1	36.3	33.3	36.4	23.2	17.3	9.3		
Dividends per share (cents)	10.0	21.5	18.5	17.0	13.5	12.0	11 0	6.5	6.0	-11.5cents
Dividend payout ratio % - Underlying	49.2	59.9	69.6	56.3	49 6	51.4	52 6	53.0	71.2	-10 7pts
Dividend payout ratio % - Statutory	46.2	77.1	66.4	51.5	37.5	51.9	63.7	74.3	116.5	-30.9pts
Gearing % - Underlying (net debt/net debt + equity)[8]	23.4	37.6	33.5	31.4	31.7	32.8	34.3	38.7	46.1	-14 2pts
Gearing % - Statutory (net debt/net debt + equity)[7]	22.0	36.2	31 8	29.8	31.7	32.8	34.3	38.7	46.1	-14.2pts
Interest cover (times)	2.7	3.8	6.1	5.3	5.2	5.6	5 0	3.1	1.9	-1.1times
Interest cover including capitalised interest (times)	2.7	3.4	4.8	5.0	5.2	5 4	4.7	3.1	1.9	-0.7times
Net tangible assets per share ($)	1.66	1.53	2.40	2.16	1 95	1.93	1.77	1.69	1.81	8.5%
Employees	11,104	11,678	7,526	7,527	7,395	7,272	7,054	6,989	7,379	(4.9%)
Sales per employee ($000s)	652	637	571	532	533	450	434	416	357	2.4%
Raw steel production (tonnes)	2,028,005	2,559,422	1,733,406	1,633,696	1,349,397	1,618,855	1,624,399	1,576,650	1,438,770	(20.8%)
Steel tonnes despatched	2,763,570	3,659,823	2,278,322	2,275,780	2,264,051	2,159,536	2,224,139	2,176,413	2,125,073	(24.5%)

The financial information presented for the years 2001 – 2004 has been presented under previous AGAAP and has not been restated under International Financial Reporting Standards (IFRS). The nature of the main adjustments to make the information comply with IFRS include:
- Recognition of additional provisions relating to rehabilitation and make good and defined benefit obligations
- Restatement of deferred tax balances using the balance sheet method
- Consolidation of the employee share plan trust, and
- Recognition of derivative financial instruments on balance sheet at fair value and application of hedge accounting.

Note that the underlying earnings presented for the years 2001 – 2004 has been adjusted to exclude goodwill amortisation.

1. FY09 underlying earnings are before the impact of restructuring activities, tax consolidation and over provisions of tax in prior years of $14.2m.
2. FY08 underlying earnings are before the impact of restructuring costs and impairment of plant and equipment associated with the integration of the Smorgon Steel Group and Australian Tube Mills businesses of $70.1m net of tax. These statistics include the results of the Smorgon Steel Group Limited from 20 August 2007 only. These figures have been restated to reflect the final fair value adjustments arising on acquisition of Smorgon Steel Group Limited in August 2007.
3. FY07 underlying earnings are before the impact of the derecognition of deferred tax liabilities of $9.5m.
4. FY06 underlying earnings are before the tax benefit of $15.9m arising from adjustments to tax consolidation values.
5. FY05 underlying earnings are before the benefit relating to the reversal of impairment loss on transition to AIFRS of $49.7m after tax.
6. FY04 underlying earnings are before the tax benefit of $19.8m arising from OneSteel's entry into the tax consolidation regime.
7. Net debt under previous AGAAP has been adjusted to include securitisation which was previously classified as off-balance sheet.
8. Net debt includes derivatives designated in a qualifying hedge relationship against interest bearing liabilities under AIFRS.
9. With the exception of FY08, earnings per share has not been restated for the bonus element of the Placement and Entitlement Offers in April and May 2009.

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RESOURCES STATEMENT

Ore Reserves and Mineral Resources
OneSteel's estimates of Ore Reserves and Mineral Resources presented in this report have been produced by a Competent Person in accordance with the current Australasian Code for reporting of Identified Minerals Resources and Ore Reserves (the JORC Code). The Competent Person (named in the following tables) consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

Magnetite reserves are consistent with reserves as at 30 June 2008, less the amount mined and kept in stockpiles or used by the steelworks in the year ended 30 June 2009. The reserves remain sufficient to sustain the steelworks at current usage rates until at least 2028.

Hematite reserves are consistent with reserves at 30 June 2008, less the amount mined and kept in stockpiles, exported, or used by the steelworks in the year ended 30 June 2009.

OneSteel has reviewed all previously mined areas and is furthering exploration activity to establish the potential to further increase hematite reserves. OneSteel holds an exploration lease that extends from Iron Knob in the North to Iron Duke in the South, and covers an area of significant mineralisation.

All Resource and Reserve figures represent estimates at 30 June 2009, unless otherwise stated. Rounding of tonnes and grade information may result in small differences presented in the totals.

Ore Reserves

WHYALLA (MIDDLEBACK RANGE) HEMATITE RESERVES								AS AT 30 JUNE 2009			AS AT 30 JUNE 2008				
Category		Proved Ore Reserve			Probable Ore Reserve			Total Ore Reserves			Total Ore Reserves			OneSteel Interest	Competent Person
	Ore type	Tonnes (m)	Grade Fe (%)	P (%)	Tonnes (m)	Grade Fe (%)	P (%)	Tonnes (m)	Grade Fe (%)	P (%)	Tonnes (m)	Grade Fe (%)	P (%)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	15.8	61.9	0.10	16.7	61.1	0.07	32.5	61.5	0.08	37.3	61.8	0.08	100	P. Leevers

WHYALLA (MIDDLEBACK RANGE) MAGNETITE RESERVES						AS AT 30 JUNE 2009		AS AT 30 JUNE 2008			
Category		Proved Ore Reserve		Probable Ore Reserve		Total Ore Reserves		Total Ore Reserves		OneSteel Interest	Competent Person
	Ore type	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	%	
Total Quantity	Magnetite	38.0	42.6	45.3	41.7	83.3	42.1	87.7	39.9	100	P. Leevers

Mineral Resources
The table below shows OneSteel's in situ resource base adjacent to existing operations at a cut-off of Fe>50%, SiO_2<10%, Al_2O_3<5% and P<0.2%.

The Total Mineral Resource includes all resources, including those used to derive Ore Reserves.

Mineral Resources that have not been used for estimation of Ore Reserves are shown separately.

WHYALLA (MIDDLEBACK RANGE) HEMATITE RESOURCES								AS AT 30 JUNE 2009		AS AT 30 JUNE 2008			
Category		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2009		Total Resources 2008		OneSteel Interest	Competent Person
	Type	Tonnes (m)	Grade Fe (%)	Tonnes (m)	Grade Fe (%)	Tonnes (m)	Grade Fe (%)	Tonnes (m)	Grade Fe (%)	Tonnes (m)	Grade Fe (%)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	19.9	62.0	33.6	59.8	38.3	55.9	91.8	59.2	97.8	59.2	100	P. Leevers
Quantity excluded from Ore Reserves	Hematite, Goethite, Limonite, Minor magnetite	4.3	60.0	14.4	58.1	34.1	55.6	52.8	56.6	52.8	56.6	100	P. Leevers

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RESOURCES STATEMENT
(CONTINUED)

WHYALLA (MIDDLEBACK RANGE) MAGNETITE RESOURCES								AS AT 30 JUNE 2009		AS AT 30 JUNE 2008			
Category		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2009		Total Resources 2008		OneSteel Interest	Competent Person
	Type	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	Tonnes (m)	Grade DTR (%)	%	
Total Quantity	Magnetite	42.2	42.6	82.3	41.0	109.7	38.2	234.2	40.0	238.8	40.9	100	P. Leevers
Quantity excluded from Ore Reserves	Magnetite	6.7	41.3	36.8	40.2	106.7	38.1	150.2	38.8	150.2	38.8	100	P. Leevers

OneSteel – Iron Baron and South Middleback Range Ore Beneficiation Stockpiles
These are resources currently held in historically built stockpiles that will be beneficiated to yield usable ore.

Ore Beneficiation commenced in the 04/05 financial year and draws feed from current mining activities and the Ore Beneficiation Stockpiles.

The Ore Beneficiation Stockpiles with a mean estimated grade exceeding 45% Fe that can be beneficiated to meet current export grade specifications comprise the Mineral Resources in the following table. Tonnes are reported before considering beneficiation yield, and grades are reported uncalcined. The estimates are valid at 30 June 2009.

ONESTEEL ORE BENEFICIATION STOCKPILES								AS AT 30 JUNE 2009		AS AT 30 JUNE 2008			
Category		Measured Resources		Indicated Resources		Inferred Resources		Total Resources 2009		Total Resources 2008		OneSteel Interest	Competent Person
	Type	Tonnes (Mt dry)	Grade Fe (% uncalcined)	Tonnes (Mt dry)	Grade Fe (% uncalcined)	Tonnes (Mt dry)	Grade Fe (% uncalcined)	Tonnes (Mt dry)	Grade Fe (% uncalcined)	Tonnes (Mt dry)	Grade Fe (% uncalcined)	%	
Total Quantity	Hematite, Goethite, Limonite, Minor magnetite	4.2	54.1	3.3	52.3	13.0	54.2	20.5	53.9	20.8	53.9	100	P. Leevers

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GLOSSARY

The Company – OneSteel Limited and/or its subsidiaries, as the context admits. Also referred to as OneSteel.

The Group – OneSteel Limited and/or its subsidiaries, as the context admits. Also referred to as OneSteel.

Billet – Billet is a section of cast steel approximately 127mm to 175mm square and 12 metres long which is used to produce rod and bar.

Blast furnace – Furnace used for converting iron ore into pig iron.

Bloom – A section of cast steel usually 350mm square and 12 metres long.

CRU – A London-based consulting group that provides business information and market analysis in the areas of non-ferrous metals, steel and ferro-alloys and wire and cable.

Despatches – Term used for total tonnes sold to end markets.

Electric Arc Furnace – Furnace used to convert scrap steel into molten steel.

Hematite – An iron oxide with the chemical formula of Fe_2O_3.

Integrated steelworks – An integrated steelworks uses blast furnace and basic oxygen steelmaking technology to manufacture steel from iron ore.

Lost Time Injury Frequency Rate – A statistical measure of safety performance.

A lost time injury is an injury which is attributable to a workplace incident and which results in at least one full shift of work being lost at some time (not necessarily immediately) after the shift during which the injury occurred.

Lost time injury frequency rate is the number of lost time injuries per million hours worked and is calculated as follows: lost time injury frequency rate equals number of lost time injuries per reporting period times one million, divided by hours worked per reporting period.

Magnetite – An iron oxide with the chemical formula of Fe_3O_4.

Medical Treatment Injury Frequency Rate – A statistical measure of safety performance.

A medical treatment injury is an injury which is attributable to a workplace incident, requires medical treatment (including restricted work) and results in less than a full shift of work being lost. Injuries which result in at least one full shift of work being lost are classified as lost time injuries (refer above).

The medical treatment injury frequency rate is the number of medical treatment injuries per million hours worked and is calculated as follows: medical treatment injury frequency rate equals number of medical treatment injuries per reporting period times one million, divided by hours worked per reporting period.

Non-CIS – In the context of prices for Asian imports of hot rolled coil, it refers to product not sourced from the region previously known as the Soviet Union.

Ore – Mineral bearing rock.

Ore Reserve – Represents what is currently economically feasible to mine.

Ore Resource – Refers to the total ore body.

Pellet plant – The pellet plant takes iron ore and produces hard balls of iron ore that can be fed into the blast furnace.

Plate – Large flat sections of steel used for the manufacture of tanks, pressure vessels etc.

Product mills – Product mills take billet, bloom and hot rolled coil and roll them into rod, bar, reinforcing steels, wire, rail, tube, pipe and structural steel.

Production – Term used to define total tonnes produced in particular product.

Raw steel – Raw steel is produced at the Whyalla Steelworks and the Sydney Steel Mill and is cast in the form of billet, bloom and slab steel.

Reinforcing steel – Used for reinforcing concrete.

Rod and bar – Rod and bar is semi-finished product that can be used for further value-added products such as wire, reinforcing steel, grinding media, posts etc.

SBB – Steel Business Briefing is an independent publisher that provides news and information to the global steel industry.

Sheet and coil – Sheet and coil is purchased from outside steel producers and processed and distributed by OneSteel or used in the manufacture of pipe and tube.

Slab – Slab is a section of cast steel usually 250mm thick and between 600 and 1800mm wide and 12 metres long.

Steel & Tube NZ – Steel & Tube Holdings Limited and/or its subsidiaries, as the context admits.

Structural steel – Large steel sections used for frames for buildings, factories, bridges and other infrastructure.

Tex Report – A daily newspaper published in Japan that reports news on trade in steel products, coal and coke, iron ore, pig iron and ferrous scrap and ferro-alloys.

ABBREVIATIONS

ABS	Australian Bureau of Statistics
ARC	Australian Reinforcing Company
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
ATM	Australian Tube Mills
C&F	Cost and freight, as used in international sales contracts to signify that the seller must pay the cost and freight necessary to bring goods to a port of destination
CO_2	Carbon Dioxide
CPRS	Carbon Pollution Reduction Scheme
DMTU	Dry Metric Tonne Unit
DTR	Davies Tube Recovery
EAF	Electric Arc Furnace
EBIT	Earnings Before Interest, Tax and Amortisation
EBITDA	Earnings Before Interest, Tax, Depreciation and Amortisation
EPA	Environment Protection Authority
ETS	Emissions Trading Scheme
FOB	Free on board, meaning the seller assumes the cost of having goods packaged and ready for shipment from the agreed designated FOB point. The buyer assumes the costs and risks from the FOB point
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GM	General Manager
GST	Goods and Services Tax
HRC	Hot rolled coil
ISO 14001	International Standards Organisation specification for environmental management systems
JORC Code	The 1999 Australasian Code for Reporting of Mineral Resources and Ore Reserves
ng/m^3	Nanograms per cubic metre
NIEIR	National Institute of Economic and Industry Research
NOPAT	Net Operating Profit After Tax and Minorities
NPAT	Net Profit After Tax and Minorities
NZ	New Zealand
OECD	Organisation for Economic Co-operation and Development
RHS	Rolled hot steel
TSR	Total Shareholder Return
UK	United Kingdom
USA	United States of America

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CORPORATE DIRECTORY

DIRECTORS
Peter J Smedley, Chairman
Geoffrey J Plummer, Managing Director and CEO
Laurie G Cox, AO
R Bryan Davis
Eileen J Doyle
Colin R Galbraith, AM
Peter G Nankervis
Dean A Pritchard
Neville J Roach, AO
Graham J Smorgon

COMPANY SECRETARY
Sharyn Page (resigned 23 July 2009)
Kara L Nicholls (appointed 10 August 2009)

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS
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Facsimile: +61 2 9251 3042
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Computershare Investor Services Pty Limited
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Telephone: 1300 364 787
or +61 3 9415 4026
Facsimile: +61 3 9473 2500
Email: onesteelshareregistry@computershare.com.au
Internet: www.computershare.com

AUDITOR
KPMG

SECURITIES EXCHANGE LISTING
OneSteel Limited shares are quoted on the Australian Securities Exchange (ASX:OST)

ANNUAL REPORT
The 2009 Annual Report is available on the OneSteel website www.onesteel.com or by calling +61 2 9239 6666

NOTICE OF ANNUAL GENERAL MEETING
The 2009 Annual General Meeting of OneSteel Limited will be held at 2.30pm, Monday 16 November 2009 at City Recital Hall, Angel Place, Sydney, NSW. A formal Notice of Meeting accompanies this report. Additional copies can be obtained from the company's registered office or downloaded from the company's website at www.onesteel.com

FINANCIAL CALENDAR
(subject to change)

18 August 2009
Annual results and final dividend announced

7 September 2009
Ex-dividend share trading commenced

11 September 2009
Record date for final dividend

15 October 2009
Final dividend paid

15 October 2009
Annual Report mailed to shareholders

16 November 2009
Annual General Meeting for 2009

31 December 2009
Financial half-year ends

16 February 2010
Half-year results and interim dividend announced

1 March 2010
Ex-dividend share trading commences

5 March 2010
Record date for interim dividend

15 April 2010
Interim dividend paid

30 June 2010
Financial year ends

17 August 2010
Annual results and final dividend announced

6 September 2010
Ex-dividend share trading commences

10 September 2010
Record date for final dividend

14 October 2010
Final dividend paid

14 October 2010
Annual Report mailed to shareholders

15 November 2010
Annual General Meeting for 2010

ONESTEEL REGISTERED TRADEMARKS

300 PLUS, ColorGUARD, FIBRESTEEL, mesh, TUFF8, 500 REBAR, Comsteel, FirePlus, PERMASEAL, TUBECOLOR, ARC, Cyclone, GALTUBE PLUS, onesteel trek-lok, ULTRAPIPE, 500 BAM, DURAGAL, LITESteel, TRUSSDEK, WARATAH, BTM EZYFORM, FAGERSTA, METALAND, TUFF6, Weldmesh

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