

Company Particulars

Directors

Phillip J Cave (Chairman)
Kym B Godson (Managing Director)
Malcolm Mitchell (Finance Director)
Peter K Smaller
Richard J Grellman

Company Secretary

Malcolm Mitchell

Registered Office

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Web Site

www.atlasgroup.com.au

Auditors

Ernst & Young

Share Registry

ASX Perpetual Registrars Limited
Level 4
333 Collins Street
Melbourne VIC 3000

Front Cover Photos

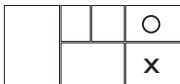


Photo features stainless steel work by Bell Stainless on the Sunshine Coast

Photo courtesy of ASSDA



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Chairman's Report

Dear fellow shareholders

It gives me great pleasure to present to you the first Chairman's report to shareholders of Atlas Group Holdings Limited ("Atlas") as a publicly listed company.

The 2003 year for Atlas has been one of achievement. Obviously the most notable achievement was the successful listing of the company on the Australian Stock Exchange in June 2003. The listing was the culmination of an enormous effort by Atlas management, staff and advisors through the due diligence process and in preparing the prospectus. A total of \$64.6million was raised in the process and following the listing Atlas' directors and staff held 21% of the shares on issue, with public and institutional investors holding the balance. At the same time Atlas introduced an employee share acquisition plan, which has facilitated substantially all employees today being shareholders of the company.

The listing also marked the completion of a full circle for Atlas, from when predominantly the same businesses listed for the first time in 1987, under the name Atlas Steels Limited. More importantly the listing has been an essential step in giving Atlas the capital structure to facilitate management's strategic plans for the future development and growth of the company.

The less obvious achievement in the year has been the work undertaken throughout the company by management and staff to implement Atlas' strategic plans. Over the last two years Atlas has moved from being narrowly focused on certain segments of the stainless steel market to being a broadly based specialty metals processor and distributor. This has required new initiatives and changes in many parts of the business. These efforts have in turn started to deliver their reward with the company growing its sales revenues by over 15% and improving its EBIT margin from 5.3% to 6.0%, in the year.

Atlas' final results for the 2003 financial year were in line with the prospectus forecasts and the company has continued to perform in line with its plans in the current year.

No dividend has been declared for the 2003 financial year. As stated in the prospectus Atlas expects to pay its first interim dividend in April 2004. Included with your copy of this Annual Report is a copy of Atlas' Dividend Reinvestment Plan Terms & Conditions. You are invited to participate in the Plan for future dividends.

Atlas will hold its 2003 Annual General Meeting at St. Michael's Hall, Ground Floor, 120 Collins Street, Melbourne, VIC 3000 on 12 November 2003 at 11.00am. I look forward to welcoming you then, to Atlas' first meeting as a public company.



A handwritten signature in black ink, which appears to read 'Phillip Cave'. The signature is written in a cursive, flowing style.

Phillip Cave

Chairman

26 September 2003

Business Profile

Atlas has a history dating back to the 1930's and is today the leading importer and distributor of specialty metals in Australia and New Zealand, having the largest market share in 5 out of its 6 major product groups. The company offers a comprehensive product range to a large and diverse customer base, which it services through an extensive branch network. Atlas maintains well established and strategic supply relationships with mills around the world.

Atlas offers its customers value added services by processing the metal products that are distributed through its supply chain. Currently the value added services offered are heat treating, cutting, slitting, polishing, blanking, profiling and drawing.

Atlas employs the most experienced group of managers and staff in the specialty metals distribution industry. Atlas staff's experience and expertise allows the company to offer strong technical and application support services to meet customer needs and thereby support the sales and marketing of its products.



Business Strategy

Since the acquisition of Atlas from Email in late 2001, the company has redefined its strategy and focus. Atlas has a broad and diverse customer base spread over a wide range of industries, which it has been servicing for many years. Of the more than 11,000 customer accounts on its books Atlas had dealings with approaching 8,000 of those customers in the 2003 financial year. It is this "pathway to customers" that underlies Atlas' redefined strategy.

Atlas has moved from a focus of driving the sales volumes of a limited group of products, to a strategy that seeks to make better use of its broad distribution channels by being a full service specialty metals supplier with a focus on value adding and meeting customer needs. In many ways this strategy is similar to that which Atlas successfully pursued through the early 1990s, prior to its take over by Email. It is also a strategy that will bring greater balance to the company's business portfolio, thereby reducing the effects of volatility in any particular product area.

The overall strategy has been refined around the six major product groups that the company distributes. Generally, for its established core products (quenched & tempered plate, stainless steel flat products and stainless sections), Atlas seeks to improve the profitability of and steadily develop its businesses through market leadership, value adding processes, flexibility and customer service. For its "growth" products (tubular products, engineering steels and aluminium), Atlas is currently undertaking initiatives to build its market shares and focuses resources on achieving this goal. To compliment the individual product strategies Atlas looks to differentiate itself from its competitors and thereby give itself the further opportunity to improve its profitability.

That differentiation is achieved through the value adding processes and technical support Atlas offers, and the wide geographic coverage, comprehensive product offering and good stock availability its distribution network provides. From a geographic perspective Atlas seeks opportunities to further develop its "pathway to customers" by extending its branch coverage. In the current year Atlas will open new distribution branches in Australia and New Zealand.

In conjunction with having developed strategies to internally foster Atlas' business growth, management have concluded that the specialty metals industry in Australia and New Zealand is in need of rationalisation and that Atlas should play an active role in achieving this. Atlas has kept this in mind at a low-key level in the business moves it has made over the last two years, but expects industry rationalisation to be a more prominent feature of future developments.

Strategy Review – Financial Year 2003

Stainless steel flat products – Atlas' strategy during the year has been to capitalise on its leading market position and its superior processing capabilities. The result has been good revenue growth, in particular supported by increased sales to wine tank and rail car manufacturers. In conjunction with the revenue growth achieved, a greater proportion of value added products were evident in the sales mix. The improved sales mix was largely responsible for an increase in margins from stainless steel flat products achieved in the year. Despite the improvements in the year, management are not satisfied with the returns on the capital employed in this area of Atlas' business and continue to pursue ways of lifting those returns.

Stainless steel sections – Atlas' strategy for sections is to maintain its strong market position through service and to improve its profitability by developing its processing capabilities. In early 2002 Atlas extended its sections processing by commissioning a bar drawing machine, which made a notable contribution to the result for the year. As was stated in the prospectus, Atlas plans to further develop its bar drawing capability and is looking to commission a second, larger bar drawing machine in 2004.

Managing Director's Report

Quenched and tempered steel plate – Atlas achieved good growth in Bisalloy Q&T plate during the year, driven principally by strong demand from the Australian mining sector, offset by weaker export sales. In addition to the overall growth in sales, continuing productivity improvements at the Unanderra processing plant has supported increased contribution margins for the product.

Tubular products – Atlas has identified tubular products as an area that offers good future growth potential for the company. Atlas is moving to re-establish its former position in the stainless tubular market, which was lost between 1996 and 2001, and to extend its involvement in the broader tubular market. During the year Atlas employed the managers and staff both in the sales & marketing and project management areas to take the tubular growth strategy forward. Further, Atlas developed strategic agreements with suppliers in the market that compliment its tubular products strategy. The emerging focus on tubular products boosted growth in the segment during the year.

Engineering steels – Although engineering steels has been a part of Atlas' product portfolio for many years, from 1996 until 2001 the company did not focus its strategies on developing these products and as a consequence experienced falling revenues from engineering steels. On the east coast of Australia, this was particularly evident where Atlas substantially lost its position and new competitors were allowed to grow in certain segments of the market. It was only in New Zealand and Western Australia that the company was able to maintain its market position in engineering steel products.

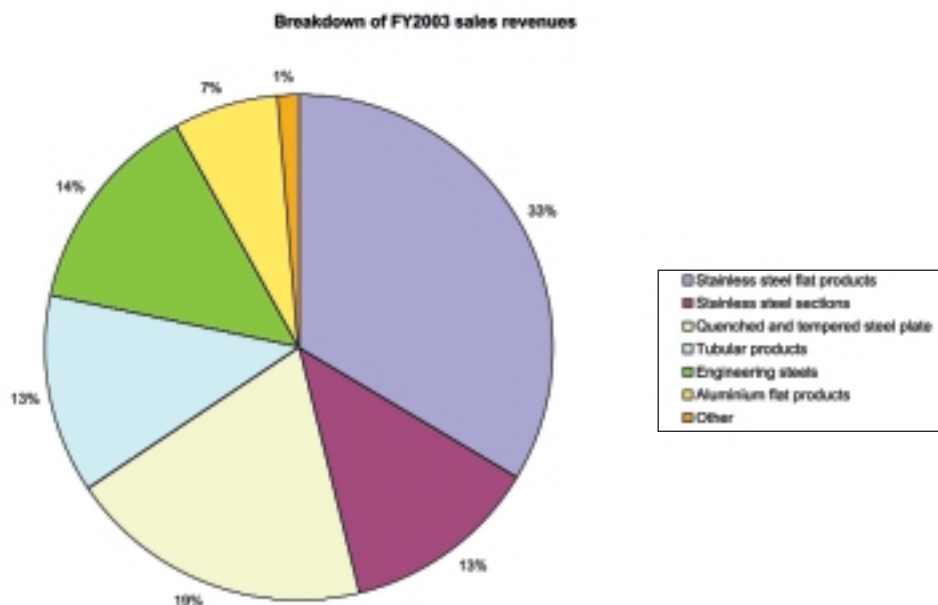
Atlas has today reaffirmed engineering steels as a strategically important core product group for the company and has implemented strategies to develop and grow its business and to regain its former position in the market. During the year Atlas employed new management to develop the market, increased sales representation and began to restock its warehouses with product.

Aluminium flat products – Aluminium has been identified by Atlas management as a growth product. Aluminium has similar handling and processing characteristic as stainless steel flat products and is sold for similar technical applications to the types of customers who purchase stainless steel flat products from Atlas. This high degree of synergy with stainless steel flat products makes aluminium a natural adjunct to Atlas' business. From a relatively low market share, Atlas increased its aluminium sales by 50% in the year and projects continuing strong growth in the current year.

New branches – In the prospectus Atlas forecast opening four new branches in Australia and New Zealand. In June Atlas opened a new branch in Shepparton ahead of schedule. Construction of new branch warehouses in Nowra, Hamilton, NZ and Kalgoorlie is currently underway with the operations due to commence in October 2003, December 2003 and February 2004, respectively. There have been no further developments in extending Atlas' distribution in Asia.

Financial Review - Financial Year 2003

Sales revenue - Atlas sales revenues for the year were \$279.2million, compared to the prospectus forecast of \$281.2million, and compared to prospectus adjusted sales revenues for the 15 months ended 30 June 2002 of \$300.2million. On a like with like basis we have estimated that Atlas achieved sales revenue growth exceeding 15% in the year.



Earnings result – Atlas earnings before interest and tax ("EBIT") for the year was \$16.8million, compared to the prospectus forecast of \$16.7million, this in turn compares to prospectus adjusted EBIT of \$15.8million for the 15 months ended 30 June 2002.

The EBIT margin achieved was 6.0%, compared to the prospectus forecast of 5.9%, this in turn compares to prospectus adjusted EBIT margin for the 15 months ended 30 June 2002 of 5.3%.

Cash flow – During the year ended 30 June 2003 Atlas invested \$14.0million in its working capital (including cash), compared to the prospectus forecast of \$16.8million. The investment was principally driven by increases in inventories which were necessary in order to 1) address shortages inherited from the time of the acquisition of the Atlas businesses; 2) support the sales growth during the year; and 3) support the development of Atlas' growth products. Capital expenditure net of disposal proceeds during the year was \$3.8million, compared to the prospectus forecast of \$3.2million.

Borrowings – Atlas' main borrowing facility comprise loans totalling \$75million from GE Capital, which are principally used to fund working capital. The loans are committed until 30 November 2005. At 30 June 2003 the amount drawn under the facility was 63.2million. Following the capital restructuring arising from the initial public offer that was completed in June 2003, Atlas projects an interest cover ratio of approximately 4x going forward.

Current Year to Date

Atlas EBIT performance in the current year to date is tracking in line with its prospectus forecasts.

Bisalloy quenched and tempered plate processing was disrupted by work stoppages during July while enterprise bargaining agreement negotiations were underway. This occurrence was a disappointment to management, however the negotiations were completed and a new agreement has been settled covering the next three years.

Business Developments

Atlas has completed a review of its main business systems, which was presented to the Directors in July. Following the recommendation of the review, the Board has approved that Atlas distribution replace its enterprise resource planning systems with an SAP R4.7 system. The implementation phase of the project will be spread through the current financial year and into next year with a "go-live" planned for late 2004. The project is budgeted to have a capital cost of \$4.5million. The business case for the expenditure indicates that Atlas can expect to deliver an internal rate of return in excess of 50% on the investment.

To conclude, it is fair to summarise that the 2003 year has been one in which Atlas not only clearly defined and embarked upon its way forward, but also to a large extent put in place the means of achieving its medium-term goals. On behalf of the Directors I would like to extend thanks and appreciation to Atlas management and staff for their hard work and enthusiasm which was fundamental to making the year a success.



Kym Godson
Managing Director
26 September 2003

Directors' Report

Your directors submit their report for the full year ended 30th June, 2003.

Directors

The names and details of directors of Atlas Group Holdings Limited (formerly Atlas Steels Group Pty Limited) ("the Company") in office during the financial period and until the date of this report, are as follows. Directors were in office for this entire period, unless otherwise stated.

Name	Experience
Mr Phillip Cave B.Bus FCPA	<p>Non-executive Chairman. Mr Cave is an experienced Director, Chairman and Chief Executive Officer with a career in major corporate turnaround projects, structured finance and corporate advisory services. Over a 35 year career, Mr Cave has held Executive Director positions with PayConnect Solution, Parbury Limited, Wormald International, Reil Corporation and Macquarie Bank (Hill Samuel). He is currently the Chairman of the Northcott Society and Smart Salary Group of companies, and a Director of SCEGS Redlands.</p> <p>Mr Cave's experience combines a mixture of operational management expertise across a wide variety of industries with an in-depth knowledge of finance and banking. During his career Mr Cave has raised in excess of \$1,000 million for a number of major corporates. Mr Cave is a founding director of the Company.</p>
Mr Kym Godson Dip Tech (Bus Admin) FAICD. FAIM	<p>Managing Director. Mr Godson is an experienced Managing Director of industrial businesses. After his early general management career in several different operations within the ACI/Acmil/PGH group, Mr Godson was appointed Managing Director of Atlas Steels Limited from 1990 until its takeover by Email Limited in late 1995. During that period Atlas experienced strong growth and development. Mr Godson is a founding director of the Company.</p>
Mr Malcolm Mitchell MA, CA	<p>Finance Director. Mr Mitchell is a Chartered Accountant with nineteen years experience in business and financial management, prior to which he had worked for five years in public accounting with Peat Marwick Mitchell and Price Waterhouse. Mr Mitchell has had extensive experience in business reorganisation and financial restructuring, and was formerly the Finance Director of Parbury Limited. He has also held senior executive roles with Reil Corporation, Wormald International, and Hoyts Cinemas. Mr Mitchell is a founding director of the Company.</p>
Mr Peter Smaller Bsc (Eng), MBA	<p>Non-executive Director. Originally from South Africa where he was the Managing Director of UME Ltd, a listed steel service centre, Mr Smaller came to Australia in 1989. Currently Mr Smaller is the principal owner and Managing Director of Southern Steel Group, Australia's number 3 distributor of carbon steel products. Mr Smaller is a former Chairman of The Steel Institute of Australia and current board member of The Australian Steel Institute. Mr Smaller brings to the company a wealth of valuable knowledge and experience. Mr Smaller was appointed as a director of the Company on 25 March 2002.</p>
Mr Richard Grellman FCA	<p>Non-executive Director. Appointed to the Board on 26 February, 2003, Mr Grellman brings significant accounting and finance skills to Atlas. Mr Grellman is a Director of AMP and AMP Life. He is also the Chairman of the AMP's Board Audit and Compliance Committee and a member of its Nomination Committee. Mr Grellman has 32 years experience in the accounting profession and was a KPMG Financial Services partner from 1982 to 2000. He was also a member of KPMG's National Board from 1995 to 1997 and National Executive from 1997 to 2000. Mr Grellman is Chairman of the Board and Council of the NSW Motor Accidents Authority and Chairman of Cryosite Limited. He is also President and Chairman of Mission Australia.</p>

Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the financial period are:

	Directors Meeting	Meetings of Committees	
		Audit & Risk	Nominations and Remuneration
Number of Meetings Held	15	1	1
Number of Meetings Attended			
P J Cave	15	1	1
K B Godson	15		
M Mitchell	15		
P Smaller	14		1
R Grellman	* 8	1	1

* R Grellman attended all directors meetings and committee meetings held since his appointment to the board.

Principal activities

The principal activity of the consolidated entity during the financial period was the processing and distribution of specialty metal products. Further details are set out in pages 1 to 3 of the Managing Director's Report.

The Company was listed on the Australian Stock Exchange (ASX) in June 2003. There were no significant changes in the nature of the principal activities of the consolidated entity during the year.

Results and dividends

The net consolidated profit from ordinary activities of the consolidated entity after income tax was \$7,166,000. (7 Nov 2001 to 30 June 2002: \$14,096,000) with earnings per share of 12.8 cents.

A review of the operations of the consolidated entity and the results of those operations is contained in pages 1 to 3 of the Managing Director's Report.

The directors do not recommend that a dividend be paid.

Likely developments

The consolidated entity will continue to develop and expand its specialty metals processing and distribution businesses, in Australia, New Zealand and Asia. Certain likely developments and discussion of the business strategy is covered within the Managing Director's Report.

Further information about likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

State of affairs

Significant changes to the Company's state of affairs during the financial period were as follows:

- The company was listed on the Australian Stock Exchange on 23 June, 2003.
- The company established Bisalloy (Thailand) Co Limited a subsidiary company in Thailand and embarked on a strategy of developing a steel distribution business in that country.
- The company opened new Atlas Specialty Metals branch in Shepparton Victoria.

The Company continues to be engaged in the manufacturing and distribution of specialty metal products.

Commentary on the overall state of affairs of the consolidated entity is set out on pages 1 to 3 of the Managing Director's Report.

Directors' Report

Directors' and senior executives' emoluments

The Remuneration Committee of the Board of Directors is responsible for determining and reviewing compensation arrangements for the directors, the Managing Director and his or her direct reports and the review and recommendation of general remuneration principles.

The remuneration policy is set to ensure that remuneration packages properly reflect the person's duties and responsibilities; and that remuneration is competitive in attracting, retaining and motivating people of the highest quality with the overall objective of ensuring maximum stakeholder benefit.

To assist in achieving these objectives, the Remuneration Committee links the nature and amount of executive directors and officers emoluments to the company's financial and operational performance.

Executive directors and officers may receive bonuses based on the achievement of specific goals related to the performance of the consolidated entity (including operational results and cash flow).

In addition, Executive Directors and officers have the opportunity to participate in the Performance Rights Plan which has been established to provide incentives linked to specific performance criteria relating to total shareholder returns.

Details of the nature and amount of each element of the emolument of each director and each of the two Executive Officers of the company and the consolidated entity receiving the highest emolument for the financial year are as follows:

Emoluments of Directors of Atlas Group Holdings Limited

	Annual Emoluments			Long Term Emoluments		
	Base Fee	Bonus	Other	Terminations & Similar Payments	Options Granted	Superannuation Contribution
					Number	
P J Cave	100,000	–	–	–	–	–
M Mitchell	150,000	–	40,400	–	200,000	9,600
K Godson	244,160	–	33,866	–	200,000	21,974
P Smaller	34,999	–	–	–	–	–
R Grellman	31,250	–	–	–	–	–

Emoluments of the two most highly paid Executive Officers of the company and the consolidated entity.

	Annual Emoluments			Long Term Emoluments		
	Base Fee	Bonus	Other	Terminations & Similar Payments	Options Granted	Superannuation Contribution
					Number	
R Terpening	174,976	7,593	25,044	–	50,000	28,890
P Norman	139,830	–	–	–	–	22,373

Note:

The terms "director" and "officer" have been treated as mutually exclusive for the purpose of this disclosure.

The elements of the emoluments have been determined on the basis of the cost to the company and the consolidated entity.

The options granted during the year have all been exercised and converted to fully paid ordinary shares. The value of the options granted has been estimated to be eleven dollars per option. This value has been determined after consideration of the impact of the share split and the issue price of shares issued as part of the initial public offering. Please refer to notes fifteen and nineteen of the financial report for further information.

Executive officers are those directly accountable and responsible for the operational management and strategic direction of the company and the consolidated entity.

Employees

At 30th June, 2003 the Group employed a staff of 454 people. (2002: 390 people)

Directors' interests

The relevant interest of each director in the share capital of the Company as at the date of this report is as follows:

Director	Ordinary Shares	
	Beneficially Held	As Trustee (a)
P J Cave	6,510,006	2,145,000
K B Godson	3,210,006	2,145,000
M Mitchell	3,000,006	2,145,000
P Smaller	900,000	–
R Grellman	53,000	–

(a) Shares held jointly as trustees of the AB Steel Management Trust.

Indemnification and Insurance of Directors and Officers

The company must, subject to certain exceptions, set out in the constitution, indemnify each of its officers on a full indemnity basis and to the full extent permitted by law against all losses, liabilities, costs, charges and expenses incurred by the officer, as an officer of the company (including all liabilities incurred where the officer acts as an officer of any other body corporate at the request of the company) including any liability for the negligence and for reasonable legal costs.

During the year or since the end of the year, the company has paid premium in respect of a directors and officers liability insurance policy. Details of the nature of the liabilities covered or the amount of the premium paid in respect of the policy have not been disclosed, as such disclosure is prohibited under the terms of the contract.

Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation, other than those set out below. The Board believes that the consolidated entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the consolidated entity.

Atlas Steels (Australia) Pty Ltd holds and complies with the requirements of a Trade Waste Licence and a Building Control Commission Certificate. Bisalloy Steels Pty Limited holds and complies with the requirements of a Dangerous Goods Licence and a Commercial Trade Waste Water Permit.

Rounding

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under AISC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Events subsequent to balance date

Subsequent to 30 June, 2003, the company granted 1,505,000 performance rights to Directors and 1,500,000 performance rights to other senior executives under the terms of the performance rights plan (PRP), with an exercise price of \$1.

The PRP operates as the Company's long term incentive scheme for executives directors and senior executives. A performance right is an entitlement to an ordinary share subject to satisfaction of performance criteria. Pursuant to the PRP, eligible executives identified by the Board may be granted performance rights on terms and conditions determined by the Board. On satisfaction of the performance criteria the performance rights vest and when exercised, shares are delivered to the participant. Shares can be purchased on market or new issue of shares made to the eligible executive to satisfy the performance rights. Once allocated, the shares are subject to the restrictions on disposal.

The current value of the performance rights issued has been estimated as being 11 cents per performance right. This value has been determined by use of the Black-Scholes option pricing model, which takes account of factors such as the exercise price, the current level and volatility of the underlying share price and the time to maturity of the performance right.

Signed in accordance with a resolution of the directors:



KB Godson
Managing Director

Corporate Governance Statement

This Corporate Governance Statement outlines the core principles of corporate governance to which Atlas Group Holdings Limited (Atlas) ascribes. The Board places great importance on the governance of Atlas and this Corporate Governance Statement reflects the Board's position. The Board intends that Atlas should adopt and comply with best practice principles to address corporate governance issues. The Board is of the opinion that the development and implementation of best practice corporate governance is a performance enhancement opportunity, rather than just a compliance issue.

Role of the Board of Directors

The Board is responsible for the overall governance of Atlas and its strategic direction. This includes the setting of goals, monitoring performance and ensuring Atlas's internal control and reporting procedures are adequate, effective and ethical and that Atlas's strategic direction provides value for its shareholders.

This is an active, not a passive responsibility and the Board has the responsibility to ensure that in good times as well as difficult times, management is capably executing its responsibilities. To this end, the Board's policy is that it must regularly monitor the effectiveness of management policies and decisions, including the execution of its strategies.

In addition to fulfilling its obligations to generate rewards for shareholders who invest their capital in Atlas, the Board has responsibilities to Atlas's customers, employees, suppliers and to the welfare of the communities in which Atlas operates.

Board Composition & Independence

As a matter of principle, a majority of the directors are and must be non-executive directors. In addition the positions of Chairman and Managing Director are required to be held by separate persons. It is also Board policy that the position of Chairman of the Board is always to be filled by a non-executive director.

This approach ensures that there are sufficient number of non-executive directors to:

- bring an "independent" view to the Board's deliberations;
- help the Board (and the Chairman) provide Atlas with effective leadership and ensure that Atlas is competently run in its own best interests and consequently in the best interests of all stakeholders;
- foster the continuing effectiveness of the Managing Director and management.

Non-executive directors should use all reasonable endeavours to satisfy themselves that Atlas's transactions are conducted in accordance with the law and the highest standards of propriety.

Recognising that the composition of the Board is subject to shareholder approval Board policy is that, as a matter of principle, the Board should be comprised of directors with an appropriate range and mix of qualifications and specific expertise that will enable the Board to effectively function. The Nominations & Remuneration Committee sets and reviews the criteria for appointment of new directors. In addition, the Board conducts a formal review of its performance. Both these mechanisms act as a regular check on the composition of the Board and the appropriateness of the skills and expertise of the Board members for Atlas.

Members of the senior executive may, at the invitation of the Board, attend Board meetings on a regular basis even though they are not members of the Board.

On matters of corporate governance, decisions are to be made by the non-executive/independent directors. In addition, the Managing Director does not participate in deliberations of the Board or a Board Committee when matters could affect his position.

Board policy is to meet best practice criteria in relation to the independence of non-executive directors. The Board recognises that various principles and factors are relevant in determining independence. It is intended that a majority of non-executive directors be classed as independent directors having regard to applicable best practice principles.

Term of Office

All directors (except the Managing Director) are required to submit themselves for re-election at regular intervals and at least every three years.

The Board does not believe it should establish a limit upon tenure. While tenure limits can help to ensure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into Atlas and its operations and therefore, an increasing contribution to the Board as a whole. The Board will continue to review the appropriateness of setting limits upon tenure. However, as an alternative, before a director is nominated for re-election at a shareholders' meeting, the Chairman consults with the rest of the Board and reviews the director's performance before the Board endorses his or her re-nomination.

Conflicts and Declarations of Interests

The Corporations Act imposes obligations on directors in relation to disclosure of interests. Specifically, the Act provides that:

- a. a director who has a material personal interest in any matter that relates to the affairs of the company is required to give the other directors notice of the interest, except in certain circumstances specified in the Act. These include where the director is a member of the company and the interest is an interest in common with other members of the company;
- b. directors may choose to give standing notice about an interest to each of the other directors; and
- c. a director who has a material personal interest in a matter that is being considered at a directors' meeting must not:
 1. be present while the matter is being considered at the meeting; or
 2. vote on the matter.

As a matter of practice, the Board has developed the following protocol:

- a. directors must disclose all interests and other directorships;
- b. directors may choose to submit standing notices of interest to all Board members, or must disclose their interest in a matter being considered by the Board at that time;
- c. directors must warn of potential conflict with duty to another company and ensure any change in circumstances is advised;
- d. the Board will continually consider the application of the relevant provisions of the Corporations Act and, if the Chairman determines that a director's interest in a matter is sufficiently material, or would result in a conflict of interest arising, the director:
 1. will not receive Board Papers on the subject of interest, but will be advised that certain Board Papers have been excluded;
 2. cannot be present at the meeting when the matter is considered unless the other directors resolve that the director in question can stay; and
 3. cannot vote on the matter unless the other directors resolve that the director in question can vote; and
- e. directors must obtain the company's consent before disclosing company information to another company or third party.

In accordance with the Listing Rules, each director is required to enter into an agreement with the company to provide details of his or her "relevant interest" in the company's securities on appointment, within 5 business days (or such lesser period as set out in the relevant agreement) of a change in the "relevant interest", and following retirement. Any change in a director's interest must be notified to the ASX within 5 business days by lodgment of Appendix 3Y.

Each director has a duty to avoid conflicts of interest, and, as noted above must notify the Board of any potential conflicts he or she may have, including any which may arise as a result of his or her duty to another company.

Each director has a duty to maintain the confidentiality of information he or she learns by virtue of his or her position as director. Disclosure of such information by the director should only be made after consultation with the Chairman or the Board.

Review of Board Performance

Every 12 to 18 months, the Board conducts a formal review of its performance.

The review includes:

- examination of the effectiveness and composition of the Board, including the required mix of skills, experience and other qualities which the non-executive directors should bring to the Board for it to function competently and efficiently;
- review of Atlas's strategic direction and objectives;
- assessment of the Managing Director's performance by the non-executive directors;
- assessment of whether corporate governance practices are appropriate and reflect "good practice"; and
- assessment of whether the expectations of differing stakeholders have been met.

Corporate Governance Statement

Review of Board Performance *(continued)*

As part of this process the Chairman also:

- meets with the senior executive team to discuss with them their views of the Board's performance and level of involvement;
- discusses each individual director's contributions face-to-face as appropriate; and
- meets with the other non-executive directors without any management present (this is in addition to the consideration of the Managing Director's performance and remuneration which is conducted in the absence of the Managing Director).

Informal reviews of the Board's performance will be conducted as necessary. In addition, any director may suggest that the Board conduct a formal review earlier than the 12 to 18 month timeframe which generally applies.

Board Review of Management and Managing Director

An important function of the Board is to establish performance criteria for the Managing Director. The Board will formally conduct a performance review of the Managing Director at least annually, and will be advised on these matters by the Nominations & Remuneration Committee. The Managing Director does not participate in these deliberations.

Board Committees

Currently Atlas has two Board Committees:

- the Audit & Risk Committee; and
- the Nominations & Remuneration Committee.

Each Committee has a formal Committee Charter which has been approved by the Board and which outlines the role and function of each Committee.

The members of each Committee annually review the role and function of each Committee and make appropriate amendments to the Committee Charter.

The Board may establish such other committees as it determines appropriate. Board policy is that the terms of reference for any Board committee are agreed by the Board at the time the committee is established.

Each Board committee has a non-executive director as Chairman of the committee, and there is to be an appropriate balance between executive directors and non-executive directors on the committee.

As a matter of principle, committee members have access to the appropriate external and professional advice needed to assist the committee in fulfilling its role.

Members of the Audit and Risk Committee are:

- P J Cave
- R J Grellman (Chairman)

Members of the Nominations and Remuneration Committee are:

- P J Cave (Chairman)
- R J Grellman
- P K Smaller

Board Operational Standards & Policies

Atlas has a number of Board operational standards and policies including the following:

- ability for directors to obtain independent advice with the prior approval of the Chairman;
- formal induction and training programs for new directors, refresher programs for existing directors and educational sessions for directors on contemporary issues of relevance to Atlas and its operations;
- maintenance of an appropriate level of D&O insurance cover for Atlas's directors and other officers;
- Continuous Disclosure Policy detailing the procedures for assessing whether information must be disclosure to the ASX under the Listing Rules and who is authorised to make announcements to the ASX;

Board Operational Standards & Policies *(continued)*

- Share Trading Guidelines which outline the prohibition against insider trading and specifies the "windows" during which directors, executives and employees can deal in Atlas's securities;
- policy for notification of holdings of Company securities by directors which details the requirements and obligations of directors to notify the ASX of their holdings of Atlas's securities (as required by the ASX Listing Rules) – as outlined above;
- Conflicts of Interests Policy which outlines the principles governing notification of outside interests and procedures for identifying and dealing with conflicts of interests (as outlined above); and
- Code of Ethics which outlines the board principles of ethics to which Atlas ascribed (as discussed below).

Ethical Standards & Code of Ethics

As a matter of Board policy, directors and management are expected to conduct themselves with the highest ethical standards. All directors and employees are expected to act with the integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity.

Atlas aims to maintain the highest standard of ethical behaviour in ethical business dealings. In maintaining the ethical standards the company will:

- behave with integrity in all its dealings with customers, shareholders, government, employees, suppliers and the community;
- ensure that its actions comply with applicable laws and regulations and maintain harmonious relations with communities located near the company's operations;
- maintain and implement policies that will enable the company's employees to avoid situations where conflicts of interest could arise;
- not engage in any activity that could be construed to involve an improper inducement and achieve a working environment where:
- equal opportunity is practiced;
- harassment and other offensive behaviour is not tolerated;
- the confidentiality of commercially sensitive information is protected; and
- employees are encouraged to discuss concerns about ethical behaviour with their supervisor.

The Board is responsible for establishing compliance and evaluating the effectiveness of the company's Code of Ethics.

Financial Report

Statement of Financial Performance Year ended 30th June, 2003.

	Notes	Consolidated		Company	
		12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000
Revenues from ordinary activities	2	281,624	138,828	2,220	2,432
Changes in inventories of finished goods and work in progress		(182,080)	(79,270)	–	–
Raw material and consumables used		(30,860)	(15,466)	–	–
Depreciation and amortisation expense	3(a)	(1,702)	(1,149)	–	–
Borrowing costs expense	3(b)	(6,621)	(5,348)	(1,306)	(3,360)
Salaries and employee benefits expense		(23,383)	(12,330)	–	–
Other expenses from ordinary activities		(27,018)	(11,055)	(1,124)	(1,052)
Share of net profits of associated entities accounted for using the equity method		416	141	–	–
Profit/(loss) from ordinary activities before income tax		10,376	14,351	(210)	(1,980)
Income tax (charge)/benefit attributable to profit/(loss) from ordinary activities	5	(3,210)	(255)	63	594
Profit/(loss) from ordinary activities after income tax		7,166	14,096	(146)	(1,386)
Net (Profit)/loss attributable to outside equity interest	17	81	(263)	–	–
Net profit/(loss) attributable to members of the Company		7,247	13,833	(146)	(1,386)
Net exchange difference on translation of financial statements of foreign controlled entity	16, 17	(379)	732	–	–
Share issue costs.	15	(2,623)	–	–	–
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits"	16	(55)	–	–	–
Total revenues, expenses and valuation adjustment attributable to members of the company and recognised directly in equity.		(3,057)	732	–	–
Total changes in equity other than those resulting from transactions with owners as owners		4,190	14,565	(146)	(1,386)
Basic Earnings per share (cents)	26	12.8	–		
Diluted Earnings per share (cents)	26	12.8	–		

Statement of Financial Position At 30th June, 2003

	Notes	Consolidated		Company	
		30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Current assets					
Cash		2,476	967	121	2
Receivables	6	59,054	52,711	10,496	6,796
Inventories	7	74,926	60,059	–	–
Other	8	1,443	743	–	–
Total current assets		137,899	114,480	10,617	6,798
Non-current assets					
Investments	9	–	–	5,184	3,746
Investments accounted for using the equity method	10	2,846	2,430	–	–
Property, plant and equipment	11	14,137	11,622	–	–
Deferred tax assets	5	2,885	2,633	657	596
Other	8	94	22	–	–
Total non-current assets		19,962	16,707	5,841	4,342
Total assets		157,861	131,187	16,458	11,140
Current liabilities					
Payables	12	49,105	39,169	531	124
Current tax liabilities	5	–	438	–	2
Interest bearing liabilities	14	1,393	–	–	–
Provisions	13	2,727	2,950	216	400
Total current liabilities		53,225	42,557	747	526
Non current liabilities					
Payables	12	–	166	–	–
Interest bearing liabilities	14	62,337	67,741	–	9,000
Provisions	13	2,327	2,130	–	–
Total non current liabilities		64,664	70,037	–	9,000
Total liabilities		117,889	112,594	747	9,526
NET ASSETS		39,972	18,593	15,710	1,614
Parent entity interest					
Contributed equity	15	17,243	3,000	17,243	3,000
Reserves	16	406	648	–	–
Retained profits	16	21,025	13,833	(1,533)	(1,386)
Total parent entity interest in equity		38,674	17,481	15,710	1,614
Total outside equity interest	17	1,298	1,112	–	–
TOTAL SHAREHOLDERS' EQUITY		39,972	18,593	15,710	1,614

Financial Report

Statement of Cash Flows Year ended 30th June, 2003.

	Notes	Consolidated		Company	
		12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000
Cash flows from operating activities					
Receipts from customers		294,941	141,606	(1,889)	1,229
Payments to suppliers and employees		(284,424)	(135,868)	(972)	(948)
Interest received		49	49	596	1,288
Interest paid		(6,618)	(3,493)	(1,304)	(1,505)
Income tax paid		(1,925)	(445)	–	–
Goods and services tax paid		(7,039)	(8,192)	(61)	4
Net cash inflow/(outflow) from operating activities	22(b)	(5,015)	(6,343)	148	68
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		89	30	–	–
Payment for controlled entities (net of cash acquired)	22(c)	(52)	(58,709)	(1,438)	(62,720)
Payments for business acquisition costs	22(c)	–	(2,392)	–	(2,392)
Payments for plant and equipment		(3,914)	(939)	–	–
Net cash inflow/(outflow) from investing activities		(3,877)	(62,010)	(1,438)	(65,112)
Cash flows from financing activities					
Proceeds from issue of shares		65,080	3,000	65,080	3,000
Proceeds from investment by outside equity interests.		560	–	–	–
Payment for share buy back.		(48,215)	–	(48,215)	–
Payment for share issue costs.		(2,623)	–	(2,623)	–
Proceeds from borrowings		3,916	69,262	–	62,364
Repayment of borrowings		(9,000)	(742)	(9,000)	(318)
Loan to controlled entities		–	–	(3,833)	–
Repayment of finance lease principal		(45)	–	–	–
Loan to associated entity		728	(2,200)	–	–
Net cash inflow/(outflow) from financing activities		10,401	69,320	1,409	65,046
Net increase/(decrease) in cash held		1,509	967	119	2
Cash at the beginning of the financial period		967	–	2	–
Cash at the end of the financial period	22(a)	2,476	967	121	2

I. Summary of significant accounting policies

The significant policies that have been adopted in the preparation of this financial report are:

(a) Basis of Accounting

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act (2001), including applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial statements have been prepared in accordance with the historical cost convention.

The accounting policies used in the preparation of this report, as described below are consistent with the previous annual report, except for employee benefits.

(b) Changes in accounting standards

The Consolidated entity has adopted the revised Accounting Standard AASB 1028 "Employee Benefits", which has resulted in a change in the accounting policy for the measurement of employee benefit liabilities. Previously, the consolidated entity measured the provision of employee benefits based on remuneration rates at the date of recognition of the liability. In accordance with the requirements of the revised Standard, the provision for employee benefits is now measured based on the remuneration rates expected to be paid when the liability is settled. The effect of the revised policy has been to decrease consolidated retained profits and increase employee benefit liabilities at the beginning of the year by \$55,000.

(c) Comparative information

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures. The comparatives are for the period 7th November 2001 to 30th June 2002.

(d) Principles of consolidation

The consolidated financial statements of the economic entity include the financial statements of the Company, being the Company, and its controlled entities ("the consolidated entity").

Where an entity either began or ceased to be controlled during the period, the results are included only from the date control commenced or up to the date control ceased.

The financial statements of subsidiaries are prepared for same reporting period as the parent company using consistent accounting policies.

The balances, and effects of transactions, between controlled entities included in the consolidated financial statements have been eliminated.

Outside interests in the equity and results of the entities that are controlled by the Company are shown as a separate item in the consolidated financial statements.

(e) Taxation

The consolidated entity adopts the liability method of tax effect accounting.

Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is virtually certain. Future income tax benefits relating to entities with tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

To the extent that dividends are proposed by controlled entities incorporated overseas, the consolidated entity has provided for withholding tax.

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(f) Investments

Controlled entities

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends and distributions are brought to account in the statement of financial performance when they are declared by the controlled entities.

Associates

Investments in associates are carried at the lower of the equity accounted amount and recoverable amount in the consolidated financial report.

(g) Plant and equipment

Acquisition

Items of plant and equipment are initially recorded at cost and depreciated as outlined below.

Subsequent additional costs

Costs incurred on plant and equipment subsequent to initial acquisition are capitalised when it is probable that future economic benefits, in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years. Where these costs represent separate components they are accounted for as separate assets and are separately depreciated over their useful lives.

Depreciation and amortisation

Items of plant and equipment are depreciated/amortised using the straight-line method over their estimated useful lives.

The major depreciation periods used for each class of asset are as follows:

• Buildings	50 years
• Plant and equipment	5 – 10 years
• Leasehold Improvements	5 – 10 years
• Finance lease Plant & Equipment	5 – 10 years

Assets are depreciated or amortised from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use.

(h) Non-current assets

The carrying amounts of non-current assets are carried on the cost basis and are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount.

In assessing recoverable amounts of non-current assets the relevant cash flows have not been discounted to their present value, except where specifically stated.

(i) Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity. Trade accounts payable are normally settled within 60 to 180 days.

(j) Share capital

Ordinary share capital is recognised at the fair value of the consideration received by the company.

Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as reduction of the share proceeds received.

(k) Receivables

Trade debtors

Trade debtors are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts. Bad debts are written off as incurred. Trade debtors are normally settled within 45 to 65 days.

Other debtors

Other debtors are carried at amounts due. The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(l) Employee entitlements

Wages, salaries, annual leave and sick leave

The provisions for employee entitlements to wages, salaries, annual leave and sick leave represents the amount which the consolidated entity has a present obligation to pay resulting from employees' services provided up to the balance date. The provisions have been calculated at undiscounted amounts based on current wage and salary rates which are expected to be paid when the liability is settled and include related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the employer resulting from employee's services provided up to the balance date.

Provisions for employee entitlements that are not expected to be settled within twelve months are discounted using the rates attaching to national government securities at balance date, which most closely match the terms of maturity of the related liabilities.

In determining the provision for employee entitlements, consideration has been given to future increases in wage and salary rates, and the consolidated entity's experience with staff departures. Related on-costs have also been included in the liability.

Superannuation plan

The Company and other controlled entities contribute to several defined contribution superannuation plans. Contributions are charged against income as they are made.

(m) Provisions

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

(n) Goods & services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), or GST equivalents, such as VAT, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO), or equivalent foreign organisations. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expenses.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to the ATO, are classified as operating cash flows.

(o) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised:

Sale of goods

Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products to entities outside the consolidated entity. Sales revenue is recognised when the control of goods passes to the customer.

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Rendering of services

Revenue from rendering services is recognised in the period in which the service is provided, having regard to the stage of completion of the contract.

Interest income

Interest income is recognised when control of the right to receive the interest payment passes.

Asset sales

The gross proceeds of asset sales not originally purchased for the intention of resale are included as revenue at the date an unconditional contract of sale is signed.

(p) Inventories

Raw materials, work in progress and manufactured stocks are valued at the lower of cost and net realisable value.

The method used to assign cost to inventories is actual costing. For work in progress and manufactured finished goods, cost is comprised of materials, labour and an appropriate proportion of fixed and variable overheads on an absorption costing basis.

(q) Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

Finance leases

Leases which effectively transfers substantially all of the risk and benefits incidental to ownership of the leased item to the lessee are capitalised at the present value of the minimum lease payments and disclosed as property, plant & equipment under lease. A lease liability of equal value is also recognised.

(r) Cash and cash equivalents

Cash on hand and in banks and short-term deposit are stated at the lower of cost and net realisable value.

For the purpose of the Statement of Cash Flows, cash includes cash on hand and in banks, money market investments readily convertible to cash within 2 working days, net of outstanding overdrafts.

(s) Foreign currencies

Translation of foreign currency transactions

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction.

Amounts payable to and by the entities within the consolidated entity that are outstanding at the balance date and are denominated in foreign currencies have been converted to local currency using rates of exchange ruling at the end of the financial year.

Translation of financial reports of overseas subsidiaries

All overseas subsidiaries are deemed self sustaining as each is financially and operationally independent of Atlas Group Holdings Limited. The financial reports of overseas operations are translated using the current rate method, any exchange differences are taken directly to the foreign currency translation reserve in equity.

Specific hedges

Where a purchase or sale is specifically hedged, exchange gain or losses on the hedging transaction arising up to the date of purchase or sale and costs, premium and discounts relative to the hedging transactions are deferred and are included with the purchase or sale. Exchange gains and losses arising on the hedge transaction after their date are taken to the statement of financial performance.

This policy has changed since the last financial report as a result of the change in accounting standard AASB 1012 "Foreign Currency Translation". The impact of the change is the on-balance sheet recognition of deferred FX losses of \$2,459,000 and recognition of a hedge liability of \$3,210,000.

(t) **Interest bearing liabilities**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues.

Finance lease liabilities are determined in accordance with the requirements of AASB 1008 Leases

2. Revenue from ordinary activities

	Consolidated		Company	
	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000
Revenues from operating activities				
Sales of goods and services	279,169	137,535	–	–
Other revenue	2,277	1,172	24	6
Total revenues from operating activities	281,446	138,707	24	6
Revenues from non-operating activities				
Interest – other parties	49	49	–	–
Interest – wholly owned subsidiaries	–	–	596	1,288
Rent revenue	40	42	–	–
Management fees received	–	–	1,600	1,138
Proceeds from sales of fixed assets.	89	30	–	–
Total revenues from non-operating activities	178	121	2,196	2,426
Total revenues from ordinary activities	281,624	138,828	2,220	2,432
Share of net profits of associates accounted for using the equity method.	416	141	–	–

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3. Expenses and losses/(gains)

	Notes	Consolidated		Company	
		12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000
(a) Expenses					
Cost of goods sold		222,446	111,102	–	–
Depreciation of non current assets					
Buildings		78	55	–	–
Plant and equipment		1,624	1,094	–	–
Total depreciation and amortisation expenses		1,702	1,149	–	–
Rental – operating leases		3,967	1,998	–	–
Decrement in the value of inventories		977	711	–	–
Bad and doubtful debts – trade debtors		260	335	–	–
(b) Borrowing costs					
Interest expense		6,490	3,388	1,304	1,484
Other borrowing costs		131	1,960	2	1,876
Total borrowing costs		6,621	5,348	1,306	3,360
(c) Losses/(gains)					
Loss/(gain) on disposal of plant and equipment		43	(15)	–	–
Foreign exchange losses/(gains)		(899)	(39)	–	(74)
(d) Material/significant Items					
Acquisition expenses (including other borrowing costs)		–	2,617	–	1,855
Discount on acquisition of assets realised during the period 22(c)		(390)	(13,563)	–	–
Profit/(loss) from ordinary activities after income tax expense comprises:					
Ongoing operations		6,776	3,150	(146)	469
Net significant items		390	10,946	–	(1,855)
		7,166	14,096	(146)	(1,386)

4. Auditors' Remuneration

	\$	\$	\$	\$
Amounts receivable or due and receivable by the auditors, from the Company for:				
Auditing the accounts	267,151	160,000	–	–
Other services	26,738	76,991	1,924	63,447
	293,889	236,991	1,924	63,447

5. Income tax

	Consolidated		Company	
	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000	12 Mths Ending 30 June 2003 \$'000	7th Nov 2001 To 30 June 2002 \$'000
The prima facie tax, using tax rates applicable in the country of operation, on operating profit/(loss) differs from the income tax provided in the financial statements as follows:				
Prima facie income tax expense on profit/(loss) from ordinary activities	3,252	4,316	(63)	(594)
Tax effect of permanent differences				
Share of associates net profit	(125)	(42)	–	–
Entertainment	43	26	–	–
Non deductible depreciation	39	70	–	–
Discount on acquisition of assets realised during the period	(117)	(4,069)	–	–
Other	118	(46)	–	–
Income tax expense attributable to ordinary activities	3,210	255	(63)	(594)
Deferred tax asset and liabilities				
Current tax payable	–	438	–	2
Future income tax benefit	2,885	2,633	657	596
Income tax losses				
Future income tax benefit arising from tax losses of a controlled entity, not recognised at reporting date as realisation of the benefit is not regarded as virtually certain.	90	–	–	–
Future income tax benefit is booked only if:				
a. Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised.				
b. The conditions for deductibility imposed by tax legislation continue to be complied with; and				
c. No changes in tax legislation adversely affect the consolidated entity in realising the benefit.				
Franking Credit Balance				
The amount of franking credits available for the subsequent financial year are:				
Franking account balance as at the end of the financial year at 30%	1,241	433	–	–
Franking credits that will arise from the payment of tax payable as at the end of the financial year.	211	95	–	–
	1,452	528	–	–
As of 1 July, 2002, the new imputation system requires a company's franking credits to be expressed on a tax paid basis. The franking surplus existing at 30 June, 2002 has been reinstated to a tax paid amount by multiplying the Class C franking surplus by 30/70.				

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6. Receivables

	Notes	Consolidated		Company	
		30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Current					
Trade receivables		54,411	48,688	–	7
Less: Provision for doubtful debts		(695)	(441)	–	–
		53,716	48,247	–	7
Other receivables		3,382	1,780	127	254
Loans to controlled entities		–	–	10,369	6,535
Loans to associated entities	25	1,956	2,684	–	–
		59,054	52,711	10,496	6,796

7. Inventories

Current					
Raw materials and stores At cost		5,231	2,779	–	–
Work in progress At cost		1,328	1,319	–	–
Finished goods At cost		70,075	57,876	–	–
Provision for diminution in value		(1,708)	(1,915)	–	–
Total inventories		74,926	60,059	–	–

8. Other assets

Current					
Prepayments		1,443	697	–	–
Other		–	46	–	–
		1,443	743	–	–
Non current					
Prepayments		85	22	–	–
Other		9	–	–	–
		94	22	–	–

9. Investments

Non current					
Controlled entities at cost	21	–	–	5,184	3,746

10. Investments accounted for using the equity method

	Notes	Consolidated		Company	
		30 June 2003	30 June 2002	30 June 2003	30 June 2002
		\$'000	\$'000	\$'000	\$'000
Investment in associate	10(a)	2,846	2,430	–	–

	Balance Date	Ownership Interest Held by the Consolidated Entity 2003
a. Interest in associate:		
Name		
Pacific Stainless Processors Pty Ltd	31st Dec	50%
(i) Principal activity:		
Pacific Stainless Processors Pty Ltd is engaged in the processing of Stainless Steel Sheet & Coil products within Australia		

	Consolidated	
	12 Months Ending 30 June 2003 \$'000	7 Nov 2001 to 30 June 2002 \$'000
(ii) Share of associates profits (losses)		
Share of Associate's		
– Net profit before income tax	416	141
– Income tax expense attributable to net profit	–	–
– Net profits after income tax	416	141
The consolidated entity's share in the retained profits and reserves of the associated company is not available for payment of dividends to shareholders of Atlas Group Holdings Limited until such time as those profits and reserves are distributed by the associated company.		

	Consolidated	
	30 June 2003 \$'000	30 June 2002 \$'000
(iii) Carrying amount of investment in associate:		
Balance at the beginning of financial period	2,430	–
Additions through acquisition of entities	–	2,289
Share of associates net profits for the financial year	416	141
Carrying amount of investment in associate at the end of the financial year	2,846	2,430

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10. Investments accounted for using the equity method (continued)

	Notes	Consolidated	
		30 June 2003 \$'000	30 June 2002 \$'000
The carrying value of the investment in the consolidated accounts has been reduced by \$520,000 being the application of part of the discount on acquisition.	22(c)		
(iv) Share of associate assets & liabilities			
Current assets		764	542
Non current assets		3,669	3,926
Current liabilities		519	530
Non current liabilities		1,785	2,225
		2,129	1,713
(v) Retained profits of the consolidated entity attributable to associate.			
Balance at the beginning of the financial period		141	–
Share of associates net profits		416	141
Balance at the end of the financial year		557	141

11. Property, plant & equipment

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Freehold – Land				
At cost	1,174	805	–	–
Buildings				
At cost	5,127	4,443	–	–
Accumulated depreciation	(136)	(49)	–	–
	4,991	4,394	–	–
Leasehold – Improvements				
At cost	148	19	–	–
Accumulated depreciation	(13)	(6)	–	–
	135	13	–	–
Plant and equipment				
At cost	11,243	7,403	–	–
Accumulated depreciation	(3,906)	(1,094)	–	–
	7,337	6,309	–	–
Finance leased plant & equipment				
At cost	523	101	–	–
Accumulated Depreciation	(24)	–	–	–
	499	101	–	–
Total property plant & equipment	14,137	11,622	–	–

11. Property, plant & equipment (continued)

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Reconciliations				
Freehold Land				
Carrying amount at beginning of financial period	805	–	–	–
Additions	395	–	–	–
Additions through acquisition of entities	–	805	–	–
Disposals	–	–	–	–
Net foreign currency movement arising from self sustaining foreign operations	(26)	–	–	–
Depreciation expense	–	–	–	–
	1,174	805	–	–
Buildings				
Carrying amount at beginning of financial period	4,394	–	–	–
Additions	647	1	–	–
Additions through acquisition of entities	52	4,442	–	–
Disposals	–	–	–	–
Net foreign currency movement arising from self sustaining foreign operations	(40)	–	–	–
Depreciation expense	(62)	(49)	–	–
	4,991	4,394	–	–
Leasehold – Improvements				
Carrying amount at beginning of financial period	13	–	–	–
Additions	146	13	–	–
Additions through acquisition of entities	–	6	–	–
Disposals	–	–	–	–
Net foreign currency movement arising from self sustaining foreign operations	(8)	–	–	–
Depreciation expense	(16)	(6)	–	–
	135	13	–	–
Plant & Equipment				
Carrying amount at beginning of financial period	6,309	–	–	–
Additions	2,725	824	–	–
Additions through acquisition of entities	–	6,507	–	–
Disposals	(72)	(15)	–	–
Net foreign currency movement arising from self sustaining foreign operations	(26)	87	–	–
Depreciation expense	(1,599)	(1,094)	–	–
	7,337	6,309	–	–

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11. Property, plant & equipment (continued)

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
The carrying value of property, plant & equipment in the consolidated accounts, has been reduced by \$2,483,000 being the application of part of the discount on acquisition.				
Financed leased plant & equipment.				
Carrying value at beginning of financial period.	101	–	–	–
Additions	497	101	–	–
Additions through acquisition of entities	–	–	–	–
Disposals	(60)	–	–	–
Net foreign currency movement arising from self sustaining foreign operations.	(14)	–	–	–
Depreciation Expense	(25)	–	–	–
	499	101	–	–

12. Payables

Current				
Trade payables	32,138	32,282	–	32
Other payables and accruals	15,122	6,374	86	118
Payable to related entities.	573	–	573	–
Goods & services tax	1,272	513	(128)	(26)
	49,105	39,169	531	124
Non current				
Other payables and accruals	–	166	–	–
	–	166	–	–

13. Provisions

Current				
Employee entitlements	2,405	2,293	–	–
Other	322	657	216	400
	2,727	2,950	216	400
Non current				
Employee entitlements	2,297	2,070	–	–
Other	30	60	–	–
	2,327	2,130	–	–

14. Interest bearing liabilities

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Current				
Lease liability	121	–	–	–
Borrowings secured by fixed and floating charges	1,272	–	–	–
	1,393	–	–	–
Non Current				
Lease liability	373	79	–	–
Borrowings secured by fixed and floating charges	61,964	67,662	–	9,000
	62,337	67,741	–	9,000

The borrowings consist of:

- a \$70 million 4 year revolving variable interest loan facility, drawn to \$60.2 million, with an average variable interest rate of 8.02% which is based on BBSW plus a margin.
- a \$5 million amortising 4 year variable interest term loan, drawn to \$3.0 million at the half year, with an average variable interest rate of 7.95% which is based on BBSW plus a margin.

The finance leases have an average lease term of 5 years, with an option to purchase the asset at the completion of the lease term for a predetermined value. The average discount rate implicit in the leases is 8.78%. The lease liabilities are secured by a charge over the leased assets.

15. Contributed equity

(a) Issued and paid up capital	17,243	3,000	17,243	3,000
	17,243	3,000	17,243	3,000

	2003		2002	
	Number of Shares	\$'000	Number of Shares	\$'000
(b) Movements in shares on issue				
Beginning of financial period	4,431,148	3,000	–	–
Issued during the year	–	–	4,431,148	3,000
• Exercise of options	502,500	503	–	–
• Share Split	59,775,529	–	–	–
• Issue of free shares	500,491	–	–	–
• Employee share scheme	315,000	–	–	–
• Public equity raising.	64,578,286	64,578	–	–
• Less transaction costs.	–	(2,623)	–	–
Bought back during the year	(48,214,650)	(48,215)	–	–
End of financial period	81,888,304	17,243	4,431,148	3,000

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15. Contributed equity (continued)

(c) Share Options

During the 2003 financial year, 502,500 options were issued over ordinary shares, exercisable from 24th March, 2003 and with an issue term of 5 years. The options had an exercise price of \$1.

These options were converted to fully paid ordinary shares on 9 May 2003. Consequently at the end of the year there were no unissued ordinary shares in respect of which options were outstanding.

16. Reserves and retained profits

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Foreign currency translation reserve	406	648	-	-
Retained Earnings	21,025	13,833	(1,532)	(1,386)
(a) Foreign currency translation:				
Balance at beginning of financial period	648	-	-	-
Gain/(loss) on translation of overseas controlled entities	(242)	648	-	-
Balance at end of period	406	648	-	-
(b) Retained earnings:				
Balance at beginning of financial period	13,833	-	(1,386)	-
Net profit/(loss) of the period	7,247	13,833	(146)	(1,386)
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits".	(55)	-	-	-
Balance at end of financial period	21,025	13,833	(1,532)	(1,386)

17. Outside equity interests

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Reconciliation of outside equity interest in controlled entities				
Opening balance	1,112	-	-	-
Additions through investment of capital	560	-	-	-
Additions through acquisition of entities	-	765	-	-
Share of gain on translation of overseas controlled entities	(138)	84	-	-
Share of operating profit	(81)	263	-	-
Dividends	(155)	-	-	-
Closing balance	1,298	1,112	-	-

18. Financial Instruments

(a) Objective of Derivative Financial Instruments

The group uses derivative financial instruments to manage specifically identified foreign currency risk. Forward exchange contracts are entered into to minimise exposure to the risk of adverse movements in the Australian dollar relative to certain currencies, including United States dollar, Great British pound and Euro dollar.

(b) Interest Rate Risk

The consolidated entity's exposure to interest rate risks and the weighted average effective interest rate for classes of financial assets and financial liabilities are set out below.

	Weighted		Floating Interest		Fixed Interest Rate Maturing in:				Non-Interest		Total	
	Average Interest		Rate		1 Year or less		Over 1 to 5 yrs		Bearing		Total	
	Rate %		Rate									
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002
Financial Assets												
Cash at bank	4.2	3.4	2,298	967	-	-	-	-	178	-	2,476	967
Receivables	7.8	6.5	1,797	2,200	-	-	-	-	57,257	50,511	59,054	52,711
Unlisted shares	N/A	N/A	-	-	-	-	-	-	2,846	2,430	2,846	2,430
Total Financial Assets			4,095	3,167	-	-	-	-	60,281	52,941	64,376	56,108
Financial Liabilities												
Accounts payable	N/A	N/A	-	-	-	-	-	-	49,105	39,335	49,105	39,335
Interest bearing liabilities	7.8	8.7	63,236	58,741	-	-	494	9,000	-	-	63,730	67,741
Total Financial Liabilities			63,236	58,741	-	-	494	9,000	49,105	39,335	112,835	107,076

(c) Credit Risk

The maximum exposure to credit risk at balance date in relation to each class of recognised financial asset, other than derivatives, is the carrying amount of those assets as indicated in the statement of financial position.

The group minimises exposure to credit risk by adopting the practice of only dealing with counterparties that meet predetermined credit criteria. Concentration of credit risk in relation to trade receivables is minimised by undertaking transactions with a large number of customers from across a range of business and geographic segments

(d) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their estimated net fair values. The net fair value of a financial asset or financial liability is the amount at which the asset could be exchanged, or liability settled in a current transaction between willing parties after allowing for transaction costs.

Net fair values of financial assets and liabilities are determined on the following basis:

Monetary financial assets and financial liabilities not readily traded in an organised financial markets are determined by valuing them at the present value of contractual future cash flows on amounts due from customers (reduced for expected credit losses) or due to suppliers. Cash flows are discounted using standard valuation techniques at the applicable market yield having regard to the cash flows.

The net fair value of investments in unlisted shares in other corporations is determined by reference to the underlying net assets of the respective corporation.

The fair value of forward exchange contract, is determined as the recognised gain or loss at reporting date, calculated by reference to current exchange rates.

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18. Financial Instruments (continued)

(e) Hedges of anticipated future transactions

The group has entered into contracts and agreements to purchase materials, denominated in foreign currencies. To hedge these future anticipated purchases the group has entered into forward exchange contracts that will expire within six months of balance date.

The amount of recognised deferred losses included in Other Receivables arising from forward exchange contracts outstanding at balance date amount to \$2,458,898. These losses are anticipated to be offset by gains recognised when purchases are delivered. The amount of hedge liability recognised within other payables arising from forward exchange contracts outstanding at balance date is \$3,210,000.

19. Employee entitlements and superannuation commitments

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
Employee entitlements				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	485	174	–	–
Provisions (Current)	2,405	2,293	–	–
Provisions (Non Current)	2,297	2,070	–	–
	5,187	4,537	–	–

Superannuation commitments

The Company makes superannuation contributions on behalf of employees to externally managed accumulation superannuation funds. The contributions are defined by the terms of each individual employees employment and fully vest at the time the contributions are made.

Employee Share Acquisition Plan

An employee share acquisition plan (ESAP) has been established which allows employees to participate, at the invitation of the Company, in a tax exempt scheme for the acquisition of shares in the Company. The ESAP will be conducted as a non-discriminatory employee share scheme open to permanent full time and part time employees under which employees may elect to acquire shares in the Company with a market value not exceeding \$1,000 each year (or such other amount as may be exempt from inclusion in assessable income).

Shares acquired under the ESAP will rank equally with existing shares. Shares may be acquired by or on behalf of participants by purchasing shares on ASX or by the company issuing shares. In the case of purchases of existing shares, the company may contribute all or part of the purchase price. In the case of issues of new shares, the company may issue the shares at a discount to the prevailing market price.

The company is authorised (but not required) to bear all transaction costs, including brokerage and stamp duty, in relation to the acquisition of shares under the ESAP.

19. Employee entitlements and superannuation commitments (continued)

Employee Option Scheme

An employee option scheme was established where Directors, Executives and certain other members of staff of the consolidated entity were issued with options over the ordinary shares of Atlas Group Holdings Limited.

The options, issued for nil consideration, were issued for a term of 5 years and were exercisable from 24th March, 2003. All options granted during the year have been exercised and consequently there are no options exercisable as the end of the year. The employee option scheme was terminated upon exercise of the options.

A performance rights plan has been established subsequent to the end of the year (Refer Note 27)

Information with respect to the number of options granted under the employee option scheme is as follows:

	Notes	12 Mths Ending 30 June, 2003		7 Nov 2001 to 30 June, 2002	
		Number of Options	Exercise Price	Number of Options	Exercise Price
Balance at beginning of the year		–	–	–	–
– Granted	19(a)	502,500	\$1.00	–	–
– Exercised	19(b)	502,500	\$1.00	–	–
Balance at end of the year		–	–	–	–
Exercisable at end of the year		–	–	–	–

a. Options granted during the year.

Number of Options	Grant Date	Vesting Date	Expiry Date	Exercise Price
445,000	30 August 2002	24 March 2003	30 August 2007	\$1.00
57,500	6 September, 2002	24 March 2003	6 September 2007	\$1.00

There were no options granted in the period ended 30 June, 2003.

b. Options Exercised.

Number of Options	Grant Date	Exercise Date	Expiry Date	Exercise Price	Proceeds From Shares Issued	Issue Date	Fair Value of shares Issued
445,000	30 Aug 2002	9 May 2003	30 Aug 2007	\$1.00	445,000	9 May 2003	\$12.00
57,500	6 Sept 2002	9 May 2003	6 Sept 2007	\$1.00	57,500	9 May 2003	\$12.00

There were no options exercised in the period ended 30 June, 2002.

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20. Commitments and contingencies

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
(a) Capital expenditure commitments:				
Estimated capital expenditure contracted for at balance date, but not provided for, payable:				
Not later than one year	288	293	–	–
	288	293		–
(b) Operating lease expenditure commitments				
Not later than one year	5,068	3,813	–	–
Later than one year but not later than five years	17,413	12,678	–	–
Later than five years	18,163	7,698	–	–
	40,644	24,189	–	–
(c) Finance lease expenditure commitments				
Not later than one year	160	–	–	–
Later than one year, but not later than five years	489	79	–	–
Total minimum lease payments	649	79	–	–
Future finance charges	(155)	–	–	–
Lease Liability	494	79	–	–
Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Assets that are the subject of operating leases include premises, motor vehicles and computer equipment.				
(d) Contingent liabilities				
At 30 June, 2003 Atlas Steels (Australia) Pty Ltd, a subsidiary of the company which was acquired on 30 November 2001 has been named as a party to two separate legal actions, exposure under which would be limited or satisfied, in the view of the directors, by one or more of the following circumstances:				
(a) By a warranty provided by the vendor, or				
(b) Through an ability to join the original suppliers of the product in question, or				
(c) Technical analysis which disputes the basis of the claim				
Consequently the Directors are of the opinion that the likelihood of any material outgoing of economic benefits to settle one or both of these claims is remote and consequently have determined that disclosure of these individual issues as contingent liabilities is not appropriate.				
The only contingent liability the Directors draw the attention of users of the financial statements to is that referred to in note 21 regarding the class order between certain subsidiaries and the company.				

21. Interests in Subsidiaries

	Country of Incorporation	Percentage of equity interest held by the consolidated entity 30 June 2003 %	Investment 30 June 2003 \$'000	Percentage of equity interest held by the consolidated entity 30 June 2002 %	Investment 30 June 2002 \$'000
Name of parent					
Atlas Group Holdings Limited Ø	Australia				
Controlled entities					
Atlas Steels (Australia) Pty Ltd	Australia	100.00	–	100.00	–
Bisalloy Steels Pty Limited	Australia	100.00	3,799	100.00	3,746
PT Bima Bisalloy	Indonesia	60.00	Δ 1083	60.00	Δ 245
Atlas Steels NZ Limited	New Zealand	100.00	* 891	100.00	* 891
Gilbert Lodge NZ Limited	New Zealand	100.00	* –	100.00	* –
Atlas Alloys Pty Limited	Australia	100.00	–	100.00	–
Bisalloy Asia Pte Ltd	Singapore	100.00	–	100.00	–
Stainless Bar Co Pty Limited	Australia	100.00	# 630	100.00	# 630
Bisalloy Malaysia Sdn Bhd	Malaysia	100.00	@839	–	–
Bisalloy (Thailand) Co Limited	Thailand	100.00	@546	–	–

Ø During the year the company changed its name from Atlas Steels Group Pty Limited to the Atlas Group Holdings Limited

* Investments are held by Atlas Steels (Australia) Pty Limited

Δ Investment is held by Bisalloy Steels Pty Ltd

Investment is held by Atlas Alloys Pty Limited

@ Investment is held by Bisalloy Asia Pte Ltd

a. Entities subject to class order relief.

Pursuant to Class Order 98/1418, relief has been granted to Atlas Steels (Australia) Pty Limited and Bisalloy Steels Pty Ltd from the Corporations Act 2001 requirements for preparation, audit and lodgment of their financial reports. As a condition of the Class Order, Atlas Group Holdings Limited, Atlas Steels (Australia) Pty Limited and Bisalloy Steels Pty Ltd (the "closed group") entered into a Deed of Cross Guarantee on the 18th April, 2002. The effect of the deed is that Atlas Group Holdings Limited has guaranteed to pay any deficiency in the event of winding up of either controlled entity. The controlled entities have also given a similar guarantee in the event the Atlas Group Holdings Limited is wound up.

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21. Interests in Subsidiaries (continued)

The consolidated statements of financial performance and statement of financial position of the entities which are members of the "Closed Group" are as follows:

	Closed Group 30 June 2003 \$'000	Closed Group 30 June 2002 \$'000
(i) Consolidated statement of financial performance		
Operating profit before income tax	12,646	11,664
Income tax benefit (charge) attributable to operating profit	(3,769)	151
Operating profit after income tax	8,877	11,815
Gain on extraordinary items	–	–
Operating profit and extraordinary items after income tax	8,877	11,815
Retained profit at the beginning of the financial period	11,815	–
Adjustment arising from adoption of revised accounting standards. AASB 1028 "Employee Benefits"	(55)	–
Retained profit at the end of the financial period	20,637	11,815
(ii) Consolidated Statement of financial position.		
Current assets		
Cash	1,100	10
Receivables	63,170	56,194
Inventories	61,552	47,338
Other	1,386	501
Total current assets	127,208	104,043
Non-current assets		
Investments	5,832	3,608
Property, plant and equipment	11,964	10,383
Deferred tax assets	2,359	2,399
Total non-current assets	20,155	16,390
Total assets	147,363	120,433

21. Interests in Subsidiaries (continued)

	Closed Group 30 June 2003 \$'000	Closed Group 30 June 2002 \$'000
(iii) Consolidated statement of financial position		
Current liabilities		
Payables	45,431	36,998
Current tax liabilities	1,285	84
Interest bearing liabilities	1,355	-
Provisions	2,539	2,707
Total current liabilities	50,610	39,789
Non current liabilities		
Interest bearing liabilities	56,859	64,038
Provisions	2,014	1,791
Total non current liabilities	58,873	65,829
Total liabilities	109,483	105,618
NET ASSETS	37,880	14,815
Shareholders' equity		
Contributed equity	17,243	3,000
Retained profits	20,637	11,815
TOTAL SHAREHOLDERS' EQUITY	37,880	14,815

22. Notes to the statement of cash flows

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
(a) Reconciliation of cash				
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial period as shown in the statements of cash flows is reconciled to the related items in the balance sheets as follows:				
Cash at bank	2,447	943	121	2
Cash at hand	29	24	-	-
	2,476	967	121	2

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22. Notes to the statement of cash flows (continued)

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
(b) Reconciliation of operating profit/(loss) after income tax to net cash provided by operating activities				
Net Profit/(loss) from ordinary activities after income tax	7,166	14,096	(146)	(1,386)
Non cash items				
Depreciation	2,092	1,149	–	–
Acquisition costs	–	1,855	–	1,855
Share of associate's net (profits)/losses	(416)	(141)	–	–
(Profit)/Loss on disposal of plant and equipment	(43)	(15)	–	–
Discount on acquisition of assets realised during the period	(390)	(13,563)	–	–
Change in operating assets and liabilities				
(Increase)/decrease in receivables & other assets	(7,004)	(3,779)	134	(6,542)
(Increase)/decrease in inventories	(14,867)	(931)	–	–
(Increase)/decrease in tax assets & liabilities	(691)	(185)	(63)	(594)
Increase/(decrease) in trade creditors	9,318	(5,187)	407	6,335
Increase/(decrease) in provisions	(180)	358	(184)	400
Net cash used in operating activities	(5,015)	(6,343)	148	68
(c) Acquisition of controlled entities				
On the 30th November, 2001 the Company acquired a 100% interest in Atlas Steels (Australia) Pty Limited, Bisalloy Steels Pty Limited and Tube & Pipe Pty Limited and an 80% interest in Stainless Bar Co Pty Limited.				
Total consideration:				
Consideration paid for share capital	–	–	–	3,695
Consideration paid for loans receivable	–	–	–	59,025
Other consideration payable	–	–	52	118
Claims receivable	–	–	–	(254)
Total consideration	–	–	52	62,584

22. Notes to the statement of cash flows (continued)

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
Fair value of net operation assets of the entities required:				
Property, plant and equipment	–	14,431		
Investments in associates	–	2,809		
Cash	–	4,010		
Debtors	–	46,801		
Inventories	–	59,128		
FITB	–	1,399		
Other assets	–	529		
Accounts payable	–	(44,619)		
Provisions	–	(4,111)		
Loans	–	–		
	–	80,377		
Outside equity interest in acquisition	–	(765)		
	–	79,612		
Total consideration	52	62,584		
Discount	(52)	17,028		
Other consideration payable in the current year relates to late charges paid in respect of the acquisition made on 30 November, 2001.				
The discount has been allocated proportionally to non monetary items at the date of acquisition and is being realised mainly through lower cost of goods sold and depreciation.				
Restructuring and acquisition costs				
Acquisition expenses & provisions	–	2,605		
Capitalised acquisition expenses	–	187		
Total restructuring and acquisition cost	–	2,792		
Net discount	(52)	14,236		
Net cash effect				
Cash consideration paid	52	62,720	–	62,720
Cash included in net assets acquired	–	(4,010)	–	–
Cash paid for purchase of controlled entity as reflected in the consolidated financial report	52	58,710	–	62,720
Restructuring and acquisition costs paid in cash	–	2,391	–	2,391
The total consideration includes a provision for restructuring of \$750,000, primarily for site rationalisation, staff redundancies and retraining.				
During the 12 months ending 30 June, 2003 \$838,570 was paid for additional share capital of PT Bima Bisalloy.				

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22. Notes to the statement of cash flows (continued)

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	\$'000	\$'000	\$'000	\$'000
(d) Financing facilities available				
At balance date the Group had financing facilities available, refer note 14 for details, of \$73,000,000 of which \$63,236,000 were used, leaving an unused facility of \$9,764,000 available.				
(e) Non cash financing activities				
During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of \$496,720 (2002: \$101,374) by means of finance leases.				

23. Directors Remuneration

	Consolidated		Company	
	30 June	30 June	30 June	30 June
	2003	2002	2003	2002
	\$	\$	\$	\$
Total income paid or payable, or otherwise made available, in respect of the financial period, to all directors of each entity in the consolidated entity, directly or indirectly, by the entities of which they are directors or any related party:	783,464	582,895		
Total income paid or payable, or otherwise made available, in respect of the financial period, to all directors of the Company, directly or indirectly, from the entity or any related party:			666,249	473,915
The number of directors of the Company whose income from the entity or any related party falls within the following bands:				
			No.	No.
\$10,000 – \$19,999			–	1
\$30,000 – \$39,999			2	–
\$90,000 – \$99,999			–	1
\$100,000 – \$109,999			1	–
\$140,000 – \$149,999			–	1
\$200,000 – \$209,999			1	–
\$240,000 – \$249,999			–	1
\$300,000 – \$309,999			1	–

24. Executives Remuneration

	Consolidated		Company	
	30 June 2003 \$'000	30 June 2002 \$'000	30 June 2003 \$'000	30 June 2002 \$'000
	Remuneration received or due and receivable by executive officers of the consolidated entity whose remuneration is \$100,000 or more, from entities in the consolidated entity or a related party, in connection with the management of the affairs of the entities in the consolidated entity whether as an executive officer or otherwise	899,795	–	
Remuneration received or due and receivable by executive officers of the company whose remuneration is \$100,000 or more, from the company or any related party, in connection with the management of the affairs of the company or any of its subsidiaries, whether as an executive officer or otherwise			–	–
The number of executives of the consolidated entity whose remuneration falls within the following bands:	No.	No.	No.	No.
\$160,000 – \$169,999	1	–	–	–
\$200,000 – \$209,999	1	–	–	–
\$230,000 – \$239,999	1	–	–	–
\$300,000 – \$309,999	1	–	–	–

Financial Report

25. Related parties

	Consolidated 2003 Number held Ordinary Shares	Consolidated 2002 Number held Ordinary Shares	Company 2003 Number held Ordinary Shares	Company 2002 Number held Ordinary Shares
P J Cave	6,510,006	885,001	6,510,006	885,001
K Godson	3,210,006	535,001	3,210,006	535,001
M Mitchell	3,000,006	300,001	3,000,006	300,001
P Smaller	900,000	150,000	900,000	150,000
R Grellman	53,000	–	53,000	–
P J Cave, K B Godson and M Mitchell as Trustees	2,145,000	350,000	2,145,000	350,000

A director of the Company, Mr P J Cave, has an interest in and is a director of InterBank Capital Partners Pty Ltd, which provided consulting services to the Company. In the year Interbank Capital Partners Pty Limited provided services in connection with the managing and facilitating of the initial public offer of shares by the Company of \$1,700,000 and other services of \$100,000.

A director of the Company, Mr P Smaller, has an interest in and is a director of Miron Pty Ltd, which provided consulting services to the Company.

A director of the Company, Mr K B Godson, has an interest in and is a director of Paula's Choice Consulting Pty Ltd, which provided consulting services to the Company in the previous period.

A director of the Company, Mr M Mitchell, has an interest in and is a director of Finsgate Finance Pty Ltd, which provided consulting services to the Company in the previous period.

Other than outlined above, the terms and conditions of the transactions with directors and their director related entities were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on arm's length basis.

The total value of the transactions during the period with director related entities were as follows:

	Consolidated 2003 \$	Consolidated 2002 \$	Company 2003 \$	Company 2002 \$
Director Director – related entity				
P J Cave Interbank Capital Partners Pty Ltd	1,800,000	90,000	1,800,000	90,000
P Smaller Miron Pty Limited	28,750	–	28,750	–
K B Godson Paula's Choice Consulting Pty Ltd	–	75,000	–	75,000
M Mitchell Finsgate Finance Pty Ltd	–	61,000	–	50,000
Other than the fees of \$1,700,000 paid to Interbank Capital Partners Pty Limited for managing and facilitating the initial public offer of shares by the Company, the above amounts are included in director's remuneration at Note 23.				
The following amounts are payable to directors and their director-related entities at balance date arising from transactions with the consolidated entity.				
Current payable				
Interbank Capital Partners Pty Ltd	572,955	11,000	572,955	11,000

25. Related parties (continued)

Other related party transactions

The consolidated entity has provided loans to an associated company of \$1,956,000 (2002: \$2,684,000). During the year repayments of \$728,000 were received.

\$1,797,000 of the total loan is interest bearing and this is calculated using a commercial floating rate.

26. Earnings per security (EPS):

	Year Ending 30 June, 2003 \$'000	7 Nov 2001 to 30 June 2002 \$'000
Calculation of the following in accordance with AASB 1027:		
Earnings per share.		
Basic EPS (cents)	12.8	–
Adjusted weighted average number of ordinary shares.	56,531,556	–
No comparatives are provided for the previous corresponding period due to this being the first period of application of the standard.		
Earnings reconciliation.		
Net Profit	7,166	–
Net profit attributable to outside equity interests.	81	–
Basic Earnings	7,247	–

27. Subsequent Events

Subsequent to 30 June, 2003, the company granted 1,505,000 performance rights to Directors and 1,500,000 performance rights to other senior executives under the terms of the performance rights plan (PRP), with an exercise price of \$1.

The PRP operates as the Company's long term incentive scheme for executives directors and senior executives. A performance right is an entitlement to an ordinary share subject to satisfaction of performance criteria. Pursuant to the PRP, eligible executives identified by the Board may be granted performance rights on terms and conditions determined by the Board. On satisfaction of the performance criteria the performance rights vest and when exercised, shares are delivered to the participant. Shares can be purchased on market or new issue of shares made to the eligible executive to satisfy the performance rights. Once allocated, the shares are subject to the restrictions on disposal.

The current value of the performance rights issued has been estimated as being 11 cents per performance right. This value has been determined by use of the Black-Scholes option pricing model, which takes account of factors such as the exercise price, the current level and volatility of the underlying share price and the time to maturity of the performance right.

28. Segment information – primary segment

	Aust 2003 \$'000	Aust 2002 \$'000	Asia 2003 \$'000	Asia 2002 \$'000	New Zealand 2003 \$'000	New Zealand 2002 \$'000	Elimina- tions 2003 \$'000	Elimina- tions 2002 \$'000	Conso- li- dated 2003 \$'000	Conso- li- dated 2002 \$'000
Geographic segments										
Revenue:										
Sales to customers outside the consolidated entity	241,620	118,978	6,357	4,289	31,192	14,688	–	–	279,169	137,955
Other revenue from customers outside the economic entity	4,189	5,199	789	222	10	16	(2,533)	(2,426)	2,455	3,012
Intersegment revenues	14,680	6,156	–	–	–	–	(14,680)	(6,156)	–	–
Revenue from ordinary activities	260,489	130,333	7,146	4,511	31,202	14,704	(17,213)	(8,582)	281,624	140,967
Share of net profit of equity accounted investments	416	141	–	–	–	–	–	–	416	141
Total revenue	260,905	130,474	7,146	4,511	31,202	14,704	(17,213)	(8,582)	282,039	141,108
Results:										
Segment result	9,033	11,255	208	1,310	1,653	1,786	(518)	–	–	–
Consolidated entity profit from ordinary activities before income tax expense									10,376	14,351
Income tax expense									(3,210)	255
Consolidated entity profit from ordinary activities after income tax expense									7,166	14,096
Assets:										
Segment assets	142,544	115,991	9,189	5,148	17,257	17,388	(11,129)	(7,340)	157,861	131,187
Liabilities:										
Segment liabilities	107,033	104,201	5,046	2,400	9,943	7,822	(4,133)	(1,829)	117,889	112,594
Other Segment Information:										
Equity accounted investments included in segment assets	2,846	2,430	–	–	–	–	–	–	2,846	2,430
Acquisition of property, plant and equipment and other non current assets	2,506	619	1,236	211	172	109	–	–	3,914	939
Depreciation	1,360	974	139	34	203	141	–	–	1,702	1,149

28. Segment information – secondary segment (continued)

	Distrib 2003 \$'000	Distrib 2002 \$'000	Manuf 2003 \$'000	Manuf 2002 \$'000	Other 2003 \$'000	Other 2002 \$'000	Elimina- tions 2003 \$'000	Elimina- tions 2002 \$'000	Consoli- dated 2003 \$'000	Consoli- dated 2002 \$'000
Business segments										
Segment revenue	239,649	117,548	56,967	29,569	2,221	2,432	17,213	(8,582)	281,624	140,967
Segment assets	117,619	98,031	32,553	26,575	16,458	11,139	(8,769)	(4,558)	157,861	131,187
Acquisition of property, plant and equipment and other non current assets	3,072	529	842	410	–	–	–	–	3,914	939

Directors' Declaration

Directors' Declaration

In the opinion of the directors of Atlas Group Holdings Limited:
the financial report presents fairly, in accordance with the basis of accounting described in Note 1:

- (a) the profit of the company for the year ended 30 June, 2003; and
- (b) the state of affairs of the company as at 30 June, 2003;

There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 21 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.

Signed in accordance with a resolution of the Directors.



Kym Godson
Managing Director

Independent audit report to members of Atlas Group Holdings Limited

Scope

The financial report and directors responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Atlas Group Holdings Limited (the company) and the consolidated entity, for the year ended 30 June 2003. The consolidated entity comprises both the company and the entities it controlled during that year.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the company and the consolidated entity, and that complies with Accounting Standards in Australia, in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit of the financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards in Australia, and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- Examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- Addressing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the company.

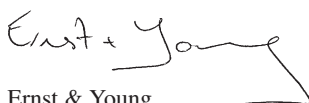
Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit Opinion

In our opinion, the financial report of Atlas Group Holdings Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the financial position of Atlas Group Holdings Limited and consolidated entity as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.



Ernst & Young



Sean Balding

Sean Balding
Partner
Melbourne
26 September 2003

ASX Additional Information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 16 September, 2003.

	Ordinary Shares	
	Number of Holders	Number of Shares
a. Distribution of equity securities:		
The number of shareholders, by size of holding in each class of share are:		
1 – 1,000	398	383,208
1,001 – 5,000	1,750	6,553,579
5,001 – 10,000	1,253	11,172,354
10,001 – 100,000	942	22,898,383
100,001 and over	35	40,880,304
Total	4,378	81,888,304
The number of shareholders holding less than a marketable parcel of shares are:	9	1,611

	Listed Ordinary Shares	
	Number of Shares	% of Ordinary Shares
b. Twenty largest shareholders:		
The names of the twenty largest holders of quoted shares are:		
1. National Nominees Limited	8,008,262	9.77
2. P J Cave	6,510,006	7.95
3. Westpac Custodian Nominees Limited	4,708,515	5.75
4. K B Godson	3,210,006	3.92
5. M Mitchell	3,000,006	3.66
6. Citicorp Nominees Pty Limited	2,732,584	3.34
7. AB Steel Management Trust	2,145,000	2.62
8. RBC Global Services Australia Nominees Pty Limited	1,966,382	2.40
9. J P Morgan Nominees Australia Limited	1,848,600	2.26
10. Quotidian No.2 Pty Limited	909,100	1.11
11. Smaller Holdings Pty Limited	900,000	1.10
12. Tower Trust (NSW) Limited	599,782	0.73
13. Tower Managed Funds Limited	473,000	0.58
14. Cogent Nominees Pty Limited	451,136	0.55
15. R Terpening	445,789	0.54
16. Asia Union Investments Pty Limited	350,000	0.43
17. Equity Trustees Limited	300,000	0.37
18. HSBC Custody Nominees (Australia) Limited	257,281	0.31
19. Clem Jones Pty Ltd	250,000	0.31
20. Melbourne Newsboys Club	200,000	0.24

	Number of Shares
c. Substantial Shareholders:	
The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:	
P J Cave	6,510,006
Jenkins Investment Management Pty Ltd	5,115,333
d. Voting Rights:	
All ordinary shares carry one vote per share without restriction.	
e. Use of Cash:	
The company has used the cash and assets in a form readily convertible to cash that it had at the time of admission in a way consistent with its business objectives.	

	Number of Shares	Date Escrow periods ends
f. Securities subject to voluntary escrow:		
Details of securities subject to voluntary escrow are as follows:		
Class of Share		
Ordinary Shares	16,380,018	15 Sept, 2004