



ATLAS GROUP HOLDING LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Financial year ended 30 June 2004

Results for announcement to the market.

				\$'000
Revenues from ordinary activities	up	10.9%	to	312,274
Profit from ordinary activities after tax attributable to members	up	37.9%	to	9,991
Net profit attributable to members	up	37.9%	to	9,991

Dividends	Amount per security	Franked amount per security
Final dividend	3.9cents	3.9cents
Previous corresponding period	Nil	Nil
Record date for determining entitlements to the dividend	3 November 2004	

Explanation of Results

Please refer to the attached commentary for an explanation of the results.



ATLAS GROUP HOLDING LIMITED (“Atlas”)

HIGHLIGHTS FINANCIAL YEAR ENDED 30 JUNE 2004

	Year ended 30 June 2004 \$'m	Year ended 30 June 2003 \$'m
Sales revenues	310.2	279.2
Earnings before interest, tax depreciation and amortisation (“EBITDA”)	21.9	18.5
Earnings before interest and tax (“EBIT”)	19.8	16.8
Earnings before interest and tax margin	6.4%	6.0%
Net profit attributable to members	10.0	7.2

- Profit in line with prospectus projections.
- Strong trading performance in the second half of the year.
- Strategic initiatives delivering growth.
- Southward acquisition completed on 1st June 2004.
- Final dividend of 3.9c fully franked, bringing total dividends for the year to 7.8c fully franked.



Overview of 2004 Financial Year

In Atlas' first full financial year since its listing on the Australian Stock Exchange, the company experienced volatile trading conditions. In the first half of the year the rapid revaluation of the Australian dollar lowered metal prices, putting pressure on margins and reducing earnings. However, trading conditions improved in the second half of the financial year, which helped Atlas deliver strong earnings in the period. Overall the conditions through the year were particularly challenging and necessitated changes to the way management operated the business from what was anticipated in Atlas' original forecasts. The changes enabled the company to deliver its profit performance.

Of greater significance for the future of the company has been the progress made during the year in developing Atlas' business strategies, of broadening the product base, developing the processing capabilities and extending the distribution presence.....*“growing, while doing the basics right.”* The development of Atlas' tubular business along with the continuing growth of aluminium products allowed Atlas to end the year with a greater degree of balance in its product portfolio. The acquisition of Southward along with projects initiated in the year to extend Atlas' heat treating and bar drawing capabilities has given the company greater depth and capacity in its processing. The establishment and developing penetration of new distribution branches in regional markets in the year has given Atlas a geographically better positioned distribution business. The overall advances made in pursuing Atlas' strategies in the year have been important steps in securing the growth of the company and its future returns to shareholders.

The Directors are pleased with Atlas' performance in developing the company, and with the financial results, in what were for most of the year difficult trading conditions.

Sales Revenue & Earnings Analysis

2003/04	Sales Revenue \$'m	EBIT \$'m	EBIT Margin %	Net Profit \$'m
6mths ended 31 Dec 2003	149.1	8.1	5.4%	3.9
6mths ended 30 June 2004	161.1	11.7	7.3%	6.1
Year ended 30 June 2004	310.2	19.8	6.4%	10.0
2002/03	Sales Revenue \$'m	EBIT \$'m	EBIT Margin %	Net Profit \$'m
6mths ended 31 Dec 2002	138.9	9.4	6.8%	4.2
6mths ended 30 June 2003	140.3	7.4	5.3%	3.0
Year ended 30 June 2003	279.2	16.8	6.0%	7.2



The above table summarises the overall pattern of trading experienced by Atlas in the year, showing that following the first six months of below par financial performance the company was able to substantially improve its margins and increase its returns to shareholders in the second half of the year. When compared to the previous year Atlas has achieved growth in its business and its returns to shareholders.

Stainless steel flat products & stainless steel sections – after experiencing particularly weak trading conditions in the first half of the year due to the effects of the rapid rise in the Australian dollar, prices for stainless steel flat products & sections rose strongly in the second half of the year. Against this scenario Atlas adopted a position in the second half of leading distribution market prices, which allowed the company to substantially improve its margins and earnings from the products, but at the cost of reduced volumes and sacrificed market share. The better earnings derived from stainless steel flat products & sections in the second half of the year was the major contributor to the company's overall earnings improvement.

The good trading conditions have continued into the new financial year. Atlas anticipates that the market share sacrificed during the second half of the year will be regained over the coming months as competitors catch up with the new price levels prevailing in the market.

Quenched and tempered steel plate – through the first half of the year the higher Australian dollar negatively impacted Atlas' Q&T plate business in both its domestic and export markets. In the second half of the year domestic sales improved mainly because the increased world demand for steel had the effect of curtailing the level of imports of Q&T plate into Australia. At the same time domestic demand from the resources sector was stronger. Atlas' Asian plate distribution businesses, which experienced a particularly weak first half, were able to improve volumes and margins in the second half of the year as prices in their local markets improved. Otherwise exports of Q&T plate remained weak. Overall the business was able to improve its performance in the second half of the year and with the buoyant resources demand the Bisalloy mill ended the year with solid forward order books.

Aluminium flat products – over the past two years Atlas has developed its aluminium business from a relatively small base by focussing on customers to whom Atlas was already selling stainless steel. In the 2004 financial year aluminium volumes increased by more than 30% compared with the previous year. However, average distribution market selling prices in the year were lower because of the appreciation of the Australian dollar. Despite the lower selling prices, for the year as a whole Atlas was able to lift its margin levels and thereby improve the profitability of its aluminium business.

Looking forward Atlas expects to be able to continue to increase its market share in aluminium albeit that the rate of growth of the product is expected to slow.



Tubular products – in the year Atlas was able to achieve notable advances in its strategy to expand its tubular business. The addition of new products to Atlas' tubular range, success in winning major project work and the inclusion of Southwards June trading contributed to the company lifting its sales by over 60% in the year, when compared to the previous year. The strategy of developing and growing tubular products has so far delivered results that have exceeded expectations. With the full potential of the initiatives that have been implemented yet to be delivered and the new opportunities presented by the acquisition of Southward, it is expected that Atlas will be able to achieve strong growth from its tubular products in the coming year.

Engineering steels – Atlas' main development strategy in the year for engineering steels has been to regain market share on the east coast of Australia, which was relinquished by the company in the late 1990's under a previous ownership. Although growth in these markets was modest, during the year Atlas implemented internal measures to support future developments. These measures included the establishment of an engineering steels distribution operation in Brisbane from the assets acquired from Irwin Alloys, improvements to processing facilities and employing staff dedicated to developing the products.

Atlas' New Zealand distribution business, whose market is predominantly in engineering steels, had a difficult year in which earnings fell. The main contributing factors were a downturn in local manufacturing sector demand and increased competitor activity. Weakness in engineering steels reduced Atlas' New Zealand earnings in the year, when compared to the previous year. Measures have been taken to address the issues and return the business to acceptable levels of financial performance.

Southward Engineering

The acquisition of Southward Engineering and its subsidiaries was completed on 1 June 2004. The trading results of Southward for the month of June 2004 have been consolidated in the Atlas results.

Southward Engineering is the leading manufacturer of steel tube and automotive exhaust systems in New Zealand and has been established for over 60 years. Over the next year Atlas will integrate the Southward tube businesses with Atlas' broader tubular strategies and expects to develop new market opportunities for both tube manufacturing and distribution.

Included in the acquisition of Southward was its subsidiary Stainless Alloys, which is one of New Zealand's leading stainless steel distribution businesses. The acquisition of Stainless Alloys compliments Atlas' existing New Zealand distribution business, which has been largely focussed in engineering steels. Atlas and Stainless Alloys combined have expanded Atlas' New Zealand distribution operations to now cover all the major product groups that the wider company sells.



The final cost of the Southward acquisition (including acquired borrowings) was \$32.3million, (NZ\$36.7million). It was funded by a new NZ\$35million secured bank loan and a subordinated NZ\$10million vendor loan. These new loans have not only facilitated the acquisition but have given Atlas the financial resources to develop and expand the Southard businesses.

Business Developments

Branch developments – by year end Atlas had largely completed the current programme of branch developments, having relocated the Melbourne branch and opened four new regional branches in the year. The new building into which the Melbourne branch has been moved provides an additional 13,200m² of warehousing, which allows Atlas to not only develop its Victorian distribution operations, but also to improve national central warehousing operations.

SAP implementation - Atlas is now in the final stages of implementation of new SAP computer systems throughout its distribution businesses, with the “go-live” date scheduled for October 2004. The project has had no significant set-backs and is proceeding on budget and to schedule.

Balance Sheet

Atlas’ balance sheet gearing increased substantially in the year as a result of having acquired Southward Engineering and its subsidiaries using new debt facilities. The Directors are satisfied that the current level of gearing is manageable since Atlas’ interest cover ratios remain comfortable, the company operates well within its committed facilities and it is projected that there will be significant reductions in the working capital levels of the Southward businesses over the coming year. Gearing levels are anticipated to steadily decline over the coming financial year.

Cash Flow

Operating cash flow for the year was less than projected mainly as a result of Atlas’ strong pricing stance in the second half of the year which reduced sales volumes and caused a short-term run up of inventories. The significant investment and financing cash flows items are those associated with the acquisition of Southward and the capital expenditure which is detailed below.

Capital Expenditure

During the financial year Atlas embarked on a number of new projects including the SAP computer system, extension of bar drawing facilities and various warehouse



improvements, which were not anticipated at the time of listing. The benefit arising from substantially all of these projects will be realised going forward, in future years. As a consequence of the new projects the capital expenditure incurred in the year exceeded original projections.

Management Restructuring

I have agreed with the Board that my most likely retirement date as an executive of Atlas will be December 2005. It gives me great pleasure to announce the appointment of Malcolm Mitchell as Deputy Managing Director, who will work with me to effect a seamless transfer. Up until today Malcolm has been our Finance Director, but will now work more closely with me on operational and strategic matters.

Malcolm's current finance responsibilities will be assumed by Stephen McDonald who has been appointed as Chief Financial Officer. Stephen was also appointed as Company Secretary in July.

On 1 July 2004 Atlas introduced a new management structure to take the business forward. The new structure is designed to accommodate Atlas' continuing development and growth. The major appointments arising from the restructuring are the following:

- Robert Terpening has been appointed as General Manager – Manufacturing and is responsible for group manufacturing operations in Australia and New Zealand.
- Mark Connolly has been appointed as General Manager – Australian Distribution.
- Leo O'Callaghan has been appointed as General Manager – New Zealand Distribution.
- Paul Norman has been appointed as General Manager – Group Management Services responsible for marketing, procurement, technical services and projects.

Outlook

The strong trading conditions experienced in the second half of the 2004 financial year have continued into the new financial year. Atlas expects that generally positive trading conditions will continue for the foreseeable future.

Over the next financial year Atlas expects to maintain its earnings growth, augmented by the addition of a full year of earnings from the newly acquired Southward businesses.



Dividend

The directors have declared a 3.9c fully franked final dividend, bringing the total dividends declared for the year to 7.8c fully franked. The total dividend is in line with the dividend forecast in the Company's 2003 prospectus. The final dividend will be paid on 17 November 2004 to all shareholders recorded on the Company's share register at 3 November 2004.

The final dividend will be eligible to participate in the Company's Dividend Reinvestment Plan ("DRP"). The directors have determined that shares issued under the DRP will be issued at a 5% discount. The last date for receipt of notices for participation in the DRP in respect of the final dividend is 3 November 2004.

Performance Rights

Atlas advises that it has issued 255,000 new performance rights to company executives under the terms of the Performance Right Plan. Vesting of the rights will be determined by the company's relative total shareholder return performance measured against the ASX Small Industrials Index, in three tranches over three years. The performance rights are exercisable at \$1.15 per share issued.

Atlas advises that 75,000 of performance rights issued in July 2003 have lapsed under the terms of the Plan.

Annual Report and Annual General Meeting

Atlas expects to mail its Annual Report and Notice of Annual General Meeting to shareholder during the week commencing 11 October 2004.

Atlas will hold its 2004 Annual General Meeting at St. Michael's Hall, Ground Floor, 120 Collins Street, Melbourne, VIC 3000 on 22 November 2004 at 11.00am. The Directors look forward to welcoming shareholders at the Meeting.

A handwritten signature in black ink, appearing to read 'Kym Godson'.

Kym Godson
Managing Director
23 August 2004.



**Consolidated Statement of Financial Performance
Year ended 30 June, 2004.**

	Notes	Year Ending 30 June 2004 \$'000	Year Ending 30 June 2003 \$'000
Revenues from ordinary activities	2	312,274	281,624
Changes in inventories of finished goods and work in progress		(202,697)	(182,080)
Raw material and consumables used		(31,141)	(30,860)
Depreciation and amortisation expense	3(a)	(2,129)	(1,702)
Borrowing costs expense	3(b)	(6,581)	(6,621)
Salaries and employee benefits expense		(26,212)	(23,383)
Other expenses from ordinary activities		(30,238)	(27,018)
Share of net profits of associated entities accounted for using the equity method		237	416
Profit/(loss) from ordinary activities before income tax		13,513	10,376
Income tax (charge)/benefit attributable to profit/(loss) from ordinary activities		(3,420)	(3,210)
Profit/(loss) from ordinary activities after income tax		10,093	7,166
Net (profit)/loss attributable to outside equity interest		(102)	81
Net profit/(loss) attributable to members of the Company		9,991	7,247
Net exchange difference or translation of financial statements or foreign controlled entity		(333)	(379)
Share issue costs		-	(2,623)
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits"		-	(55)
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly in equity		(333)	(3,057)
Total changes in equity other than those resulting from transactions with owners as owners		9,658	4,190
Basic earnings per share (cents)	4	12.2	12.8
Diluted earnings per share (cents)	4	11.8	12.8



**Consolidated Statement of Financial Position
30 June, 2004**

	Notes	30 June 2004 \$'000	30 June 2003 \$'000
Current assets			
Cash	8	6,623	2,476
Receivables		74,570	59,054
Inventories		103,629	74,926
Other		2,437	1,443
Total current assets		187,259	137,899
Non current assets			
Investments		-	-
Investments accounted for using the equity method	7	3,083	2,846
Property, plant and equipment		26,581	14,137
Deferred tax assets		2,720	2,885
Other		17	94
Total non current assets		32,401	19,962
Total assets		219,660	157,861
Current liabilities			
Payables		57,753	49,105
Current tax liabilities		1,339	-
Interest bearing liabilities		3,717	1,393
Provisions		2,621	2,727
Total current liabilities		65,430	53,225
Non current liabilities			
Payables		116	-
Interest bearing liabilities		102,527	62,337
Provisions		3,690	2,327
Total non current liabilities		106,333	64,664
Total liabilities		171,763	117,889
NET ASSETS		47,897	39,972
Parent entity interest			
Contributed equity		18,513	17,243
Reserves		275	406
Retained profits	6	27,822	21,025
Total parent entity interest in equity		46,610	38,674
Total outside equity interest		1,287	1,298
TOTAL SHAREHOLDERS' EQUITY		47,897	39,972



Consolidated Statement of Cash Flows
Year ended 30 June, 2004

Notes	Year Ending 30 June 2004 \$'000	Year Ending 30 June 2003 \$'000
Cash flows from operating activities		
Receipts from customers	334,671	307,986
Payments to suppliers and employees	(323,667)	(304,507)
Interest received	165	49
Interest paid	(6,479)	(6,618)
Income tax paid	(1,892)	(1,925)
Net cash inflow/(outflow) from operating activities	2,798	(5,015)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	117	89
Payment for controlled entities (net of cash acquired)	(15,318)	(52)
Payments for property, plant and equipment	(4,852)	(3,914)
Net cash inflow/(outflow) from investing activities	(20,053)	(3,877)
Cash flows from financing activities		
Payment of dividends on ordinary shares	(1,874)	-
Proceeds from issue of shares	-	65,080
Proceeds from investment by outside equity interests	89	560
Payment for share buy back	-	(48,215)
Payment of share issue costs	(43)	(2,623)
Proceeds from borrowings	37,149	3,916
Repayment of borrowings	(13,708)	(9,000)
Repayment of finance lease principal	(211)	(45)
Loan to associated entity	-	728
Net cash inflow/(outflow) from financing activities	21,402	10,401
Net increase/(decrease) in cash held	4,147	1,509
Cash at the beginning of the financial period	2,476	967
Cash at the end of the financial period	6,623	2,476



	Year Ending 30 June 2004 \$'000	Year Ending 30 June 2003 \$'000
1. Dividends:		
Dividends paid (fully franked at the 30% tax rate)		
Interim dividend at 3.9 cents per share	3,194	-
Since the end of the year, the directors declared the following dividends:		
Dividends declared (fully franked at the 30% tax rate)		
Final dividend at 3.9 cents per share	3,253	-
The financial effect of the final dividends has not been brought to account in the consolidated entity's financial statements for the year ended 30 th June, 2004 and will be brought to account in subsequent financial reports.		
2. Revenue from ordinary activities:		
Revenues from operating activities		
Sales of goods and services	310,168	279,169
Other revenue	1,852	2,277
Total revenues from operating activities	312,120	281,446
Revenues from non-operating activities		
Interest – other parties	165	49
Rent revenue	(25)	40
Proceeds from sales of fixed assets	114	89
Total revenues from non-operating activities	254	178
Total revenues from ordinary activities	312,274	281,624
Share of net profits of associates accounted for using the equity method.	237	416
3. Expenses and losses/(gains):		
(a) Expenses		
Depreciation of non current assets		
Buildings	113	78
Plant and equipment	2,016	1,624
Total depreciation	2,129	1,702
Rental – operating leases	5,228	3,967
Decrement in the value of inventories	1,084	977
Bad and doubtful debts – trade debtors	630	260



	Year Ending 30 June 2004 \$'000	Year Ending 30 June 2003 \$'000
(b) Borrowing costs		
Interest expense	6,447	6,490
Other borrowing costs	134	131
Total borrowing costs	6,581	6,621
(c) Losses/(gains)		
Loss/(gain) on disposal of plant and equipment	44	43
Foreign exchange losses/(gains).	(1,468)	(899)
4. Earnings per security (EPS):		
Calculation of the following in accordance with AASB 1027: Earnings per share.		
Basic EPS (cents)	12.2	12.8
Adjusted weighted average number of ordinary shares	82,192,469	56,531,556
Diluted EPS (cents)	11.8	12.8
Adjusted weighted average number of ordinary shares	85,197,469	56,531,556
Earnings reconciliation		
Net profit	10,093	7,166
Net profit attributable to outside equity interests	(102)	81
Basic Earnings	9,991	7,247
Diluted Earnings	9,991	7,247
5. NTA backing:		
Net tangible asset backing per ordinary security.	\$0.56	\$0.47
6. Retained profits:		
Retained profits at the beginning of the financial year	21,025	13,833
Net profit attributable to members	9,991	7,247
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits"	-	(55)
Total available for appropriation	31,016	21,025
Dividends paid	(3,194)	-
Retained profits at the end of the financial year	27,822	21,025
7. Details of aggregate share of profits/(losses) of associates		
Group's share of associates		
Profit/(loss) from ordinary activities before income tax	237	416
Income tax on ordinary activities	-	-
Net profit/(loss)	237	416
Outside equity interests	-	-
Net profit/(loss) attributable to members	237	416



	Investments carrying amount consolidated		Dividends received	
	2004 \$A'000	2003 \$A'000	2004 \$A'000	2003 \$A'000
7. Details of aggregate share of profits/(losses) of associates continued				
Pacific Stainless Processors Pty Ltd (Processing of stainless steel sheet & soil products) (Interest consolidated 2004: 50%; 2003:50%)	3,083	2,846	-	-
	3,086	2,846	-	-
8. Notes to the statement of cash flows				
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 statement of cash flows is reconciled to the related items in the balance sheets as follows:				
Cash at bank			6,623	2,447
Cash at hand			-	29
			6,623	2,476
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			10,093	7,166
Non cash items				
Depreciation			2,129	2,092
Share of associate's net (profits)/losses			(237)	(416)
(Profit)/loss on disposal of plant and equipment			44	(43)
Discount on acquisition of assets realised during the period			(874)	(390)
Change in operating assets and liabilities				
(Increase)/decrease in receivables & other assets			(4,686)	(7,004)
(Increase)/decrease in inventories			(11,055)	(14,867)
(Increase)/decrease in tax assets & liabilities			674	(691)
Increase/(decrease) in trade creditors			6,489	9,318
Increase/(decrease) in provisions			221	(180)
Net cash used in operating activities			2,798	(5,015)



**30 June
2004
\$'000**

c. Acquisition of controlled entities:

On the 1st June, 2004 the Company acquired a 100% interest in Southward Engineering Co Limited, Stainless Alloys Limited, Trimline Tube Engineering Limited and Exhaust Systems (Australia) Pty Ltd.

Total Consideration:

Consideration paid for share capital	17,539
Other consideration payable	874
Total consideration	18,413

Fair value of net operation assets of the entities required:

Property, plant and equipment	6,205
Cash	3,095
Debtors	11,069
Inventories	19,447
Net tax assets	726
Other assets	653
Accounts payable	(4,451)
Provisions	(1,061)
Loans	(13,708)
	21,975
Total consideration	18,413
Discount	(3,562)

Other consideration payable in the current year relates to acquisition expenses and provisions paid in respect of the acquisition. 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.

Net cash effect

Cash consideration paid	18,413
Cash included in net assets acquired	(3,095)
Cash paid for purchase of controlled entity as reflected in the consolidated financial report	15,318

d. Non-cash financing activities

During the financial year the consolidated entity acquired plant and equipment with an aggregate fair value of \$4,375,424 (2003: \$496,720) by means of finance leases.



9. Segment Information – primary segment

	Aust 2004 \$'000	Aust 2003 \$'000	Asia 2004 \$'000	Asia 2003 \$'000	New Zealand 2004 \$'000	New Zealand 2003 \$'000	Elimin 2004 \$'000	Elimin 2003 \$'000	Cons 2004 \$'000	Cons 2003 \$'000
Geographic Segments										
Revenue:										
Sales to customers outside the consolidated entity	267,788	241,620	7,793	6,357	34,588	31,192	-	-	310,168	279,169
Other revenue from customers outside the economic entity	9,188	4,189	146	789	64	10	(7,292)	(2,533)	2,106	2,455
Intersegment revenues	16,903	14,680	83	-	279	-	(17,265)	(14,680)	-	-
Revenue from ordinary activities	293,879	260,489	8,022	7,146	34,931	31,202	(24,557)	(17,213)	312,274	281,624
Share of net profit of equity accounted investments	237	416	-	-	-	-	-	-	237	416
Total revenue	294,116	260,905	8,022	7,146	34,931	31,202	(24,557)	(17,213)	312,511	282,039
Results:										
Segment Result	12,082	9,033	190	208	935	1,653	306	(518)		
Consolidated entity profit from ordinary activities before income tax expense									13,513	10,376
Income tax expense									(3,420)	(3,210)
Consolidated entity profit from ordinary activities after income tax expense									10,093	7,166

Compliance Statement:

1. This report is based on the financial statements to which one of the following applies:

<input type="checkbox"/>	The financial statements have been audited.	<input type="checkbox"/>	The financial statements have been supplied to review.
<input checked="" type="checkbox"/>	The financial statements are in the process of being audited or subject to review.	<input type="checkbox"/>	The financial statements have not yet been audited or reviewed.

2. The entity has a formally constituted audit committee.