
ATLAS GROUP HOLDINGS LIMITED

ACN 098 674 545

FINANCIAL REPORT

FOR THE HALF YEAR 31 DECEMBER 2003

Atlas Group Holdings Limited

Half Year Financial Report

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

Lynch Road
Altona North VICTORIA 3025

Telephone: (03) 9272 9999
Facsimile: (03) 9272 9965

Web Site

www.atlasgroup.com.au

Auditors

Ernst & Young

Share Registry

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

Directors' Report

Your directors submit their report for the half year ended 31st December, 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	Non-Executive Chairman.
Mr. Kym Godson Dip Tech (Bus Admin) FAICD. FAIM	Managing Director
Mr Malcolm Mitchell MA, CA	Finance Director
Mr Peter Smaller Bsc (Eng), MBA	Non-Executive Director
Mr Richard Grellman FCA	Non-Executive Director

Review and Results of Operations

The net consolidated profit from ordinary activities of the consolidated entity after income tax was \$3,878 thousand (6 Months ending 31 December, 2002: \$4,179 thousand) with earnings per share of 4.8 cents.

A review of the operations of the consolidated entity and the results of those operations is included in the attached commentary.

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.

Signed in accordance with a resolution of the directors:

KB Godson
Managing Director
25 February 2004

Statement of Financial Performance
Half Year ended 31st December, 2003.

	Notes	Consolidated	
		6 Mths Ending 31 Dec 2003 \$'000	6 Mths Ending 31 Dec 2002 \$'000
Revenues from ordinary activities	2	150,083	140,372
Changes in inventories of finished goods and work in progress		(99,827)	(89,009)
Raw material and consumables used		(15,314)	(16,354)
Depreciation and amortisation expense	3(a)	(992)	(820)
Borrowing costs expense	3(b)	(2,961)	(3,225)
Salaries and employee benefits expense		(12,519)	(11,957)
Other expenses from ordinary activities		(13,319)	(13,016)
Share of net profits of associated accounted for entities using the equity method	7	141	223
Profit/(loss) from ordinary activities before income tax		5,292	6,214
Income tax (charge)/benefit attributable to profit/(loss) from ordinary activities		(1,414)	(2,035)
Profit/(loss) from ordinary activities after income tax		3,878	4,179
Net (Profit)/loss attributable to outside equity interest	6	17	(12)
Net profit/(loss) attributable to members of the Company		3,895	4,167
Net exchange difference or translation of financial statements or foreign controlled entity	5, 6	(613)	497
Total revenues, expenses and valuation adjustments attributable to members of the company and recognised directly in equity.		(613)	497
Total changes in equity other than those resulting from transactions with owners as owners		3,282	4,664
Basic Earnings per share (cents)		4.8	-
Diluted Earnings per share (cents)		4.8	-

Statement of Financial Position
At 31st December, 2003

	Notes	Consolidated	
		31 Dec 2003 \$'000	30 June 2003 \$'000
Current assets			
Cash	8	1,575	2,476
Receivables		57,890	59,054
Inventories		77,812	74,926
Other		538	1,443
Total current assets		137,815	137,899
Non-current assets			
Investments accounted for using the equity method	7	2,990	2,846
Property, plant and equipment		17,008	14,137
Deferred tax assets		2,962	2,885
Other		11	94
Total non-current assets		22,971	19,962
Total assets		160,786	157,861
Current liabilities			
Payables		45,666	49,105
Current tax liabilities		277	-
Interest bearing liabilities		1,649	1,393
Provisions		2,740	2,727
Total current liabilities		50,332	53,225
Non current liabilities			
Payables		235	-
Interest bearing liabilities		64,618	62,337
Provisions		2,318	2,327
Total non current liabilities		67,171	64,664
Total liabilities		117,503	117,889
NET ASSETS		43,283	39,972
Parent entity interest			
Contributed equity		17,200	17,243
Reserves	5	(31)	406
Retained profits	5	24,921	21,025
Total parent entity interest in equity		42,090	38,674
Total outside equity interest	6	1,193	1,298
TOTAL SHAREHOLDERS' EQUITY		43,283	39,972

Statement of Cash Flows

Half Year Ended 31 December, 2003

	Notes	Consolidated	
		6 Mths Ending 31 Dec 2003 \$'000	6 Mths Ending 31 Dec 2002 \$'000
Cash flows from operating activities			
Receipts from customers		164,895	152,426
Payments to suppliers and employees		(153,795)	(138,974)
Interest received		110	20
Borrowing costs		(2,961)	(3,211)
Income tax paid		(1,246)	(1,198)
Goods and services tax paid		(6,381)	(4,425)
Net cash inflow/(outflow) from operating activities	8(b)	622	4,638
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		112	30
Payments for plant and equipment		(1,715)	(1,363)
Net cash inflow/(outflow) from investing activities		(1,603)	(1,333)
Cash flows from financing activities			
Proceeds from issue of shares		-	429
Proceeds from investment by outside equity interests		89	-
Payment for share issue costs		(43)	-
Proceeds from borrowings		62	12
Repayment of borrowings		-	(2,293)
Repayment of finance lease principal		(106)	-
Loan to associated entity		78	250
Net cash inflow/(outflow) from financing activities		80	(1,602)
Net increase/(decrease) in cash held		(901)	1,703
Cash at the beginning of the financial period		2,476	967
Cash at the end of the financial period	8(a)	1,575	2,670

1. 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 half year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act (2001), applicable Accounting Standards, including AASB 1029 “Interim Financial Reporting” and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is also recommended that the half year financial report be read in conjunction with the Annual Report as of 30th June, 2003 and any public announcements by Atlas Group Holdings during the half year, in accordance with the continuous disclosure obligations of the Corporations Act 2001.

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

The accounting policies used in the preparation of this report are consistent with the previous annual report.

2. Revenue from ordinary activities**Consolidated**

	6 Mths Ending 31 Dec 2003 \$'000	6 Mths Ending 31 Dec 2002 \$'000
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Revenues from operating activities		
Sales of goods and services	149,072	138,875
Other revenue	777	1,438
Total revenues from operating activities	149,849	140,313
Revenues from non-operating activities		
Interest – other parties	110	20
Rent revenue	12	9
Proceeds from sales of fixed assets.	112	30
Total revenues from non-operating activities	234	59
Total revenues from ordinary activities	150,083	140,372
Share of net profits of associates accounted for using the equity method.	141	223

3. Expenses and losses/(gains)**(a) Expenses**

Depreciation of non current assets		
Buildings	43	34
Plant and equipment	949	786
Total depreciation and amortisation expenses	992	820
Rental – operating leases	2,297	1,977
Decrement in the value of inventories	593	284
Bad and doubtful debts – trade debtors	306	99

(b) Borrowing costs

Interest expense	2,893	3,144
Other borrowing costs	68	81
Total borrowing costs	2,961	3,225

(c) Losses/(gains)

Loss/(gain) on disposal of plant and equipment	34	(5)
Foreign exchange losses/(gains)	(935)	(488)

4. Dividends**Consolidated**

	6 Mths Ending 31 Dec 2003 \$'000	6 Mths Ending 31 Dec 2002 \$'000
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Since the end of the half year, the Directors declared the following dividends.

Dividends declared (fully franked or the 30% tax rate).
Interim dividend at 3.9 cents per share.

	3,195	-
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The financial effect of these dividends has not been brought to account in the consolidated entity financial statements for the half year ended 31st December, 2003 and will be recognized in subsequent financial reports.

5. Reserves and retained profits

	Consolidated	
	31 Dec 2003 \$'000	30 June 2003 \$'000
Foreign currency translation reserve	(31)	406
Retained Earnings	<u>24,921</u>	<u>21,025</u>
(a) Foreign currency translation:		
Balance at beginning of financial period	406	648
Gain/(loss) on translation of overseas controlled entities	(437)	(242)
Balance at end of period	<u>(31)</u>	<u>406</u>
(b) Retained earnings:		
Balance at beginning of financial period	21,025	13,833
Net profit/(loss) of the period	3,896	7,247
Increase/(decrease) in retained profit due to revised accounting standard AASB 1028 "Employee Benefits"	-	(55)
Balance at end of financial period	<u>24,921</u>	<u>21,025</u>

6. Outside equity interests

Reconciliation of outside equity interest in controlled entities		
Opening balance	1,298	1,112
Additions through investment of capital	89	560
Share of gain/(loss) on translation of overseas controlled entities	(177)	(138)
Share of operating profit/(loss)	(17)	(81)
Dividends	-	(155)
Closing balance	<u>1,193</u>	<u>1,298</u>

7. Investments accounted for using the equity method

Investment in associate	<u>2,990</u>	<u>2,846</u>
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The consolidated entity holds a 50% ownership interest in Pacific Stainless Processors Pty Ltd

8. Notes to the statement of cash flows**(a) Reconciliation of cash**

For the purpose of the statement 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.	1,546	2,447
Cash at hand	29	29
	<u>1,575</u>	<u>2,476</u>

8. Notes to the statement of cash flows contd**Consolidated**

31 Dec 2003 \$'000	31 Dec 2002 \$'000
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(b) Reconciliation of operating loss after income tax to net cash provided by operating activities

Net Profit/(loss) from ordinary activities after income tax	3,878	4,179
Non cash items		
Depreciation	1,183	1,009
Share of associate's net (profits)/losses	(141)	(223)
(Profit)/Loss on disposal of plant and equipment	34	(5)
Discount on acquisition of assets realised during the period	(191)	(189)
Change in operating assets and liabilities		
(Increase)/decrease in receivables & other assets	2,341	229
(Increase)/decrease in inventories	(2,886)	(8,441)
(Increase)/decrease in tax assets & liabilities	200	(1,272)
Increase/(decrease) in trade creditors	(3,800)	9,539
Increase/(decrease) in provisions	4	(188)
Net cash used in operating activities	622	4,638

9. NTA Backing**Consolidated**

31 Dec 2003 \$'000	31 June 2003 \$'000
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Net tangible asset backing per ordinary security	\$0.51	\$0.47
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10. Segment information – primary segment

Geographic segments	Aust Dec 2003 \$'000	Aust Dec 2002 \$'000	Asia Dec 2003 \$'000	Asia Dec 2002 \$'000	New Zealand Dec 2003 \$'000	New Zealand Dec 2002 \$'000	Eliminations Dec 2003 \$'000	Eliminations Dec 2002 \$'000	Consolidated Dec 2003 \$'000	Consolidated Dec 2002 \$'000
Revenue:										
Sales to customers outside the consolidated entity	130,545	113,154	3,990	6,518	14,538	19,203	-	-	149,072	138,875
Other revenue from customers outside the economic entity	2,283	1,112	36	385	-	-	(1,308)	-	1,011	1,497
Intersegment revenues	9,221	1,645	-	-	-	-	(9,221)	(1,645)	-	-
Revenue from ordinary activities	142,049	115,911	4,026	6,903	14,538	19,203	(10,529)	(1,645)	150,083	140,372
Share of net profit of equity accounted investments	141	223	-	-	-	-	-	-	141	223
Total revenue	142,190	116,134	4,026	6,903	14,538	19,203	(10,529)	(1,645)	150,224	140,595
Results:										
Segment result	5,354	4,396	(317)	605	142	1,213	113	-		
Consolidated entity profit from ordinary activities before income tax expense									5,292	6,214
Income tax expense									(1,414)	(2,035)
Consolidated entity profit from ordinary activities after income tax expense									3,878	4,179

11. Subsequent Events

On 25 February 2004 the directors have declared an interim dividend of 3.9 cents per ordinary share fully franked at 30% tax rate for the half year ended 31 December 2003. Please refer to note 4 for further information.

Atlas has announced that it has signed heads of agreement to acquire Southward Engineering Company Limited and its subsidiaries. The acquisition is subject to satisfactory due diligence investigations and regulatory approvals.

Directors' Declaration

In the opinion of the directors of Atlas Group Holdings Limited:

The financial statements and notes of the consolidated entity :

- (a) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half year ended on that date of the consolidated entity; and
- (b) comply with Accounting Standard AASB 1029 "Interim Financial Reporting" and the corporations regulations 2001; and

There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors.

Kym Godson
Managing Director
25 February 2004

Independent review report to members of Atlas Group Holdings Limited

Scope

The financial report and directors responsibility

The financial report comprises the consolidated statement of financial position, consolidated statement of financial performance, consolidated statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Atlas Group Holdings Limited, for the period ended 31 December, 2003.

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 that complies with Accounting Standards AASB 1029 "Interim Financial Reporting", 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.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the *Corporations Act 2001*, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the consolidated financial report of Atlas Group Holdings Limited is not in accordance with:

- (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated financial position of Atlas Group Holdings Limited at 31 December, 2003 and of its performance for the period ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 “Interim Financial Reporting” and the *Corporations Regulations 2001*; and
- (b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Sean Balding
Partner
Melbourne
25 February 2004