



ATLAS GROUP HOLDING LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Half year ended 31 December 2004

Results for announcement to the market.

				\$'000
Revenues from ordinary activities	up	31%	to	196,274
Profit from ordinary activities after tax attributable to members	up	81%	to	7,056
Net profit attributable to members	up	81%	to	7,056

Dividends	Amount per security	Franked amount per security
Interim dividend	3.9cents	3.9cents (at 30%)
Previous corresponding period	3.9cents	3.9cents (at 30%)
Record date for determining entitlements to the dividend	18 April 2005	

Explanation of Results

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



ATLAS GROUP HOLDING LIMITED (“Atlas”)

HIGHLIGHTS HALF YEAR ENDED 31 DECEMBER 2004

	Half year ended 31 December 2004 \$'m	Half year ended 31 December 2003 \$'m
Sales revenues	195.1	149.1
Earnings before interest, tax depreciation and amortisation (“EBITDA”)	16.0	9.1
Earnings before interest and tax (“EBIT”)	14.1	8.1
Earnings before interest and tax margin	7.2%	5.4%
Net profit attributable to members	7.1	3.9
Earnings per share (diluted)	8.0c	4.6c

- Sales revenues increased by 31%, and net profit attributable to members increased by 81%.
- Atlas distribution businesses successfully implement new SAP computer systems.
- Acquired remaining 50% of Atlas’ coil processing and service centre business at Warragamba, NSW, funded by a share placement.
- Bisalloy mill furnace extended in January 2005 to increase mill capacity by 25%, due to strong customer demand.
- Interim dividend of 3.9c fully franked.

Overview

Following on from a strong performance in the second half of the 2004 financial year, Atlas maintained its earnings momentum through the period.

The key focus of the business in the half was to improve bottom-line profit, whilst maintaining service to our customers at higher levels than our competitors. The material increase in profit, with the increase in earnings significantly outstripping the increase in sales, shows that this aim has been successful.

The successful implementation of new SAP computer system by Atlas' Australian distribution businesses was an enormous undertaking for the company in the period. It involved most staff undergoing training in the months leading up to "go-live" and then a great effort from all concerned in managing the many issues that arose from converting the business processes onto the new platform. Over the next period we expect to see the new system start to deliver benefits to the business in working capital management, processing efficiency, management information, customer relationships, and many other areas. At the same time we expect to see the Atlas team freed up to concentrate more of their efforts on sales and service.

In the period, the focus on profit and customer service, coupled with the distractions caused by the SAP implementation, resulted in inventories rising to excessive levels. Actions to address this situation have been taken and inventories are targeted to fall by \$11million over the next half year.

In December 2004 Atlas acquired the remaining 50% of its coil processing and service centre business based at Warragamba, NSW. This business forms an integral strategic component of Atlas' flat products business, and we are pleased to have resolved its ownership. Since the acquisition the business has been renamed Atlas Metal Processors. The main benefit expected to be realised from the acquisition will be improved operating performance of the business, as it will now fall under direct Atlas management control. It will allow Atlas to develop its Australia wide processing capabilities in line with its broader business and customer strategies.

Over the Christmas close down period, a significant upgrade of the Bisalloy quench and tempering steel mill at Wollongong was undertaken. The upgrade involved the extension of the main furnace which has increased the mill's capacity by approximately 25%. This extra capacity will allow Atlas to further satisfy the current strong demand from the resources and security/military sectors for its hardened steel products. We anticipate that as the plant "ramps-up" over the current half year, it will deliver high marginal returns from the incremental volumes.

Sales Revenue & Earnings Analysis

	Actual 6mths ended 31 Dec 2004 \$'m	Actual 6mths ended 31 Dec 2003 \$'m
Sales revenue (\$'m)		
Stainless steel flat products	52.1	48.9
Stainless steel sections	21.5	16.7
Hardened steel plate	32.1	25.6
Aluminium flat products	14.5	11.2
Tubular products	53.7	24.9
Engineering steels	20.2	20.2
Other products	1.0	0.5
Other income	0.7	1.1
	195.1	149.1
Trading EBIT **	13.7	8.1
EBIT Margin	7.0%	5.4%

** - excludes specific and other relevant items

Stainless steel flat products & stainless steel sections – Atlas' policy in the period of improving returns on commodity products had the effect of constraining stainless steel sales revenues and reducing Atlas' apparent market share. However, the products overall delivered higher margins. The acquisition of the remaining 50% of Atlas' coil processing and service centre business based at Warragamba, NSW was an important outcome in the period as it now frees Atlas to coordinate the overall development of its flat products business and improving customer service.

Hardened steel plate – strong demand from the resources and security/military sectors both domestically and overseas underpinned an excellent earnings result from Bisalloy. With the mill running at full capacity Bisalloy was unable to meet demand for its products and was compelled to place all customers on supply allocation during the period. To meet the current demand a \$1.8m extension of the main furnace was commissioned over the Christmas break which has increase the capacity of the mill by 25%. It is projected that the incremental sales from the increased capacity will deliver high marginal returns and result in a very short payback of the expenditure. Strong demand for hardened steel in Asia allowed Atlas' joint venture distribution businesses in Indonesia and Thailand to substantially increase sales and deliver good profits, despite of reduced product allocation.

Aluminium flat products – aluminium has been a growth product for Atlas over the last three years, during which time it has established itself as an important component of Atlas' business. Aluminium sales increased by 29% in the period when compared to the previous corresponding period, reflecting a continuing increase in Atlas' market share for the product.

Tubular products – the inclusion of Southward Engineering for the whole of the period and the continuing development of Atlas' infrastructure project business were the foundations of a substantial increase in Atlas' tubular sales in the period. The continuing growth and success of Atlas infrastructure project business has now firmly established the company as a supplier of both stainless and carbon pipe and tube to the oil, gas and mining sectors

Since the acquisition of Southward Engineering in June 2004 management has made satisfactory headway in reorganising the Southward businesses and integrating them with Atlas. This included the rationalisation and reorganisation of Southwards' loss making automotive distribution business in the period. As of today, there is still further reorganisation work to be undertaken from which additional gains are expected.

Placement

In December 2004 Atlas made a private placement of 10,500,000 new ordinary shares at \$1.10 per share. The principal reasons for the placement were to fund the purchase of the remaining 50% of Atlas' coil processing and service centre business from Arcelor, and for the planned future development of that business.

Balance Sheet

Atlas' debt/equity gearing reduced to 163% at 31 December 2004 (30 June 2004 – 208%) as shareholder's equity increased from \$47.9m to \$66.0m in the period. These movements were principally as a result of the share placement noted above and internally generated and retained profit. Overall, gearing at the end of the period still remained high, notably due to the exceptional level of inventories. Gearing is targeted to fall to 150% by 30 June 2005, and continue lower thereafter. A key objective for the company during the second half of this current financial year and beyond, is to substantially improve the working capital management of our distribution businesses. With the implementation of the SAP computer systems we now have the tools to make this a realistic objective.

Capital Expenditure

Total capital expenditure in the period was \$4.6m. Major new capital expenditure projects in the period were i) the completion of the implementation of the SAP computer system; ii) Bisalloy mill capacity upgrade; and iii) an annealing line at Southward Engineering. The total expenditure on these new projects was \$2.6m. The balance of capital expenditure in the period was for normal ongoing replacement of assets.

Dividend

The directors have declared a 3.9c fully-franked interim dividend for the half year ended 31 December 2004. This interim dividend is unchanged from last year as the directors have resolved to defer consideration of increasing the dividend until the end of the financial year. Directors confirm their current policy of paying out as dividends 60-65% of profits generated each year. The dividend will be paid on 4 May 2005 to all shareholders recorded on the Company's share register at 18 April 2005.

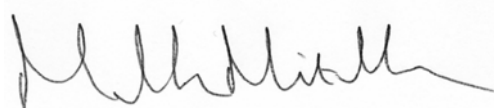
The interim dividend will be eligible to participate in the Company's Dividend Reinvestment Plan ("DRP"). The directors have determined that shares issued under the DRP will be issued at a 5% discount. The last date for receipt of notices for participation in the DRP in respect of the interim dividend is 18 April 2005.

Outlook

Looking forward over the next six months, we expect a continuation of the trading conditions we have experienced through 2004. The forecast slow down in housing construction is not expected to have any significant effect on Atlas, as our business has only a small exposure to that segment of the economy. The directors are comfortable with analyst forecasts of EBIT \$26.5m (up 34% from the previous year) & EPS 13.4c (up 13% from the previous year) for the financial year. In addition Atlas management have a key focus of reducing inventories by more than \$10m to \$111m by 30 June 2005.



Kym Godson
Managing Director
22 February 2005



Malcolm Mitchell
Deputy Managing Director
22 February 2005

ATLAS GROUP HOLDINGS LIMITED

ACN 098 674 545

HALF YEAR FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31ST DECEMBER 2004

Atlas Group Holdings Limited Half Year Financial Report

Company Particulars

Directors

Phillip J Cave (Chairman)
Kym B Godson (Managing Director)
Malcolm Mitchell (Deputy Managing Director)
Bill Wavish (Appointed 22 November 2004)
Richard J Grellman

Company Secretary

Stephen McDonald

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 2004.

Directors

The names and details of directors of Atlas Group Holdings 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	Deputy Managing Director
Mr Bill Wavish ACA (NZ)	Non-Executive Director (Appointed 22 November 2004)
Mr Richard Grellman FCA	Non-Executive Director
Mr Peter Smaller	Non Executive Director (Resigned 22 November 2004)

Review and Results of Operations

The net consolidated profit from ordinary activities of the consolidated entity after income tax was \$7,305,000 (6 months ending 31 December 2003: \$3,878,000) with earnings per share of 8.3 cents.

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

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

Rounding

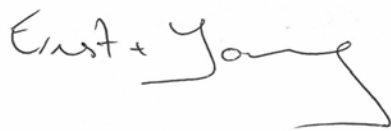
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.

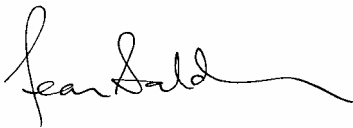


KB Godson
Managing Director
22 February 2005

In relation to our review of the financial report of Atlas Group Holdings Limited for the half-year ended 31 December 2004, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Sean Balding
Partner
Date: 22 February 2005

Condensed Statement of Financial Performance
Half Year ended 31st December 2004

	Notes	Consolidated	
		6 Mths Ending 31 Dec 2004 \$'000	6 Mths Ending 31 Dec 2003 \$'000
Revenues from ordinary activities	2	196,274	150,083
Changes in inventories of finished goods and work in progress		(122,086)	(99,827)
Raw material and consumables used		(17,116)	(15,314)
Depreciation and amortisation expense	3(a)	(1,917)	(992)
Borrowing costs expense	3(b)	(5,057)	(2,961)
Salaries and employee benefits expense		(19,224)	(12,519)
Other expenses from ordinary activities	3(a)	(21,894)	(13,319)
Share of net profits of associated entities accounted for using the equity method		147	141
Profit/(loss) from ordinary activities before income tax		9,127	5,292
Income tax (charge)/benefit attributable to profit/(loss) from ordinary activities		(1,822)	(1,414)
Profit/(loss) from ordinary activities after income tax		7,305	3,878
Net (profit)/loss attributable to outside equity interest	6	(249)	17
Net profit/(loss) attributable to members of the Company		7,056	3,895
Net exchange difference or translation of financial statements of foreign controlled entity	5,6	(298)	(613)
Share issue costs		(346)	-
Total revenues, expenses and valuation adjustments attributable to members of the Company and recognised directly in equity		(644)	(613)
Total changes in equity other than those resulting from transactions with owners as owners		6,412	3,282
Basic Earnings per share (cents)		8.3	4.8
Diluted Earnings per share (cents)		8.0	4.8
Franked Dividends per share (cents)	4	3.9	3.9

**Condensed Statement of Financial Position
At 31st December 2004**

	Notes	Consolidated 31 Dec 2004 \$'000	30 June 2004 \$'000
Current assets			
Cash		3,099	6,623
Receivables		70,735	74,570
Inventories		122,321	103,629
Other		2,996	2,437
Total current assets		199,151	187,259
Non-current assets			
Investments accounted for using the equity method		-	3,083
Property, plant and equipment		36,823	26,581
Deferred tax assets		4,363	2,720
Intangibles		1,243	-
Other		12	17
Total non-current assets		42,441	32,401
Total Assets		241,592	219,660
Current liabilities			
Payables		53,642	57,753
Current tax liabilities		1,889	1,339
Interest bearing liabilities		74,505	3,717
Provisions		3,998	2,621
Total current liabilities		134,034	65,430
Non-current liabilities			
Payables		115	116
Interest bearing liabilities		38,389	102,527
Provisions		2,939	3,690
Total non-current liabilities		41,443	106,333
Total Liabilities		175,477	171,763
NET ASSETS		66,115	47,897
Parent entity interest			
Contributed equity	9	32,970	18,513
Reserves	5	109	275
Retained profits	5	31,625	27,822
Total parent entity interest in equity		64,704	46,610
Total outside equity interest	6	1,411	1,287
TOTAL SHAREHOLDERS' EQUITY		66,115	47,897

Condensed Statement of Cash Flows
Half Year Ended 31st December 2004

	Notes	Consolidated 6 Mths Ending 31 Dec 2004 \$'000	6 Mths Ending 31 Dec 2003 \$'000
Cash flows from operating activities			
Receipts from customers		232,366	177,971
Payments to suppliers and employees		(237,636)	(173,252)
Interest received		21	110
Borrowing costs		(5,056)	(2,961)
Income tax paid		(2,901)	(1,246)
Net cash inflow/(outflow) from operating activities		(13,206)	622
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		380	112
Payment for controlled entities (net of cash acquired)	8	(2,831)	-
Payments for plant and equipment		(3,524)	(1,715)
Net cash inflow/(outflow) from investing activities		(5,975)	(1,603)
Cash flows from financing activities			
Proceeds from issue of shares		13,447	-
Proceeds from investment by outside equity interests		-	89
Payment of dividends on ordinary shares		(1,897)	-
Payment for share issue costs		(346)	(43)
Proceeds from borrowings		6,831	62
Repayment of borrowings		(1,963)	-
Repayment of finance lease principal		(415)	(106)
Loan to associated entity		-	78
Net cash inflow/(outflow) from financing activities		15,657	80
Net increase/(decrease) in cash held		(3,524)	(901)
Cash at the beginning of the financial period		6,623	2,476
Cash at the end of the financial period		3,099	1,575

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), including applicable Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The half year financial report does not include all notes of the types 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 the 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, 2004 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	Notes	Consolidated	
		6 Mths Ending 31 Dec 2004 \$'000	6 Mths Ending 31 Dec 2003 \$'000
Revenues from operating activities			
Sales of goods and services		195,143	149,072
Other revenue		729	777
Total revenues from operating activities		195,872	149,849
Revenues from non-operating activities			
Interest – other parties		21	110
Rent revenue		1	12
Proceeds from sales of fixed assets		380	112
Total revenues from non-operating activities		402	234
Total revenues from ordinary activities		196,274	150,083
Share of net profits of associates accounted for using the equity method		147	141
3. Expenses and losses/(gains)			
(a) Expenses			
Depreciation of non current assets			
Buildings		74	43
Plant and equipment		1,843	949
Total depreciation and amortisation expenses		1,917	992
Rental – operating leases		2,860	2,297
Decrement in the value of inventories		867	593
Bad and doubtful debts – trade debtors		513	306
Other expenses		17,654	10,123
		21,894	13,319
(b) Borrowing costs			
Interest expense		4,976	2,893
Other borrowing costs		81	68
Total borrowing costs		5,057	2,961
(c) Losses/(gains)			
Loss/(gain) on disposal of plant and equipment		50	34
Foreign exchange losses/(gains)		(143)	(935)

3. Expenses and losses/(gains) Contd	Notes	Consolidated	
		6 Mths Ending 31 Dec 2004 \$'000	6 Mths Ending 31 Dec 2003 \$'000
(d) Specific Items			
Profit from ordinary activities before income tax expense includes the following specific revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:			
Discount on acquisition of assets realised during the year		(2,353)	-
System implementation costs		713	-
		(1,640)	-
(e) Other Items			
The following items do not meet the technical definition of specific items of revenue or expense but are relevant in explaining the financial performance of the entity.			
Net loss arising from change in automotive distribution arrangements		1,258	-
		1,258	-

4. Dividends

Since the end of the half year, the Directors declared the following dividends:

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

3,771 **3,194**

The financial effect of these dividends has not been brought to account in the consolidated entity financial statement for the half year ended 31st December 2004 and will be recognised in subsequent financial reports.

5. Reserves and retained profits	Notes	Consolidated	
		31 Dec 2004 \$'000	30 June 2004 \$'000
Foreign currency translation reserve		109	275
Retained earnings		31,625	27,822
(a) Foreign currency translation:			
Balance at beginning of financial period		275	406
Gain/(loss) on translation of overseas controlled entities		(166)	(131)
Balance at end of financial period		109	275
<i>Nature and purpose of reserve</i>			
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.			
(b) Retained earnings:			
Balance at beginning of financial period		27,822	21,025
Net profit/(loss) of the period		7,056	9,991
Dividends paid		(3,253)	(3,194)
Balance at end of financial period		31,625	27,822
6. Outside Equity Interests			
Reconciliation of outside equity interest in controlled entities			
Opening balance		1,287	1,298
Additions through investment of capital		7	89
Share of gain on translation of overseas controlled entities		(132)	(202)
Share of operating profit/(loss)		249	102
Closing balance		1,411	1,287

7. NTA Backing	Notes	Consolidated	
		31 Dec 2004	30 June 2004
Net tangible asset backing per ordinary share		\$0.66	\$0.56

8. Acquisition of controlled entities	Notes	Consolidated 31 Dec 2004 \$'000	31 Dec 2003 \$'000
On 17 December 2004 the consolidated entity acquired the remaining 50% of the share capital of Pacific Stainless Processors Pty Ltd. Pacific Stainless Processors Pty Ltd is engaged in the processing of stainless steel sheet and coil products within Australia. The components of the acquisition cost were:			
Total consideration			
Consideration paid for share capital		3,000	-
Other consideration payable		20	-
Total consideration		3,020	-
Fair value of net operating assets of the entity acquired:			
Property, plant and equipment		7,947	-
Cash		189	-
Debtors		1,401	-
Inventories		228	-
Other assets		97	-
Accounts payable		(1,110)	-
Provisions		(211)	-
Loans		(3,495)	-
Net tax liabilities		(39)	-
		5,007	-
Total consideration		3,020	-
Carrying value of investment prior to acquisition of remaining 50%		3,230	-
		6,250	
Goodwill arising on acquisition		1,243	-
Net cash effect			
Cash consideration paid		3,020	-
Cash included in net assets acquired		(189)	-
Cash paid for purchase of controlled entity as reflected in the consolidated financial report		2,831	-
9. Contributed equity			
Issued and paid up capital		32,970	18,513
Movements in contributed equity:			
Balance at beginning of financial period		18,513	17,243
Dividend reinvestment plan		1,356	1,321
Underwriting of dividend		1,897	-
Private equity raising		11,550	-
Less transaction costs		(346)	(51)
Balance at end of financial period		32,970	18,513

10. Segment Information – Primary Segment

Geographic Segments

	Aust Dec 2004 \$'000	Aust Dec 2003 \$'000	Asia Dec 2004 \$'000	Asia Dec 2003 \$'000	NZ Dec 2004 \$'000	NZ Dec 2003 \$'000	Elim Dec 2004 \$'000	Elim Dec 2003 \$'000	Consol Dec 2004 \$'000	Consol Dec 2003 \$'000
Revenue										
Sales to customers outside the consolidated entity	148,122	130,545	6,016	3,990	41,005	14,538	-	-	195,143	149,072
Other revenue from customers outside the economic entity	1,247	2,283	106	36	453	-	(675)	(1,308)	1,131	1,011
Intersegment revenues	2,705	9,221	-	-	2,113	-	(4,818)	(9,221)	-	-
Revenue from ordinary activities	152,074	142,049	6,122	4,026	43,571	14,538	(5,493)	(10,529)	196,274	150,083
Share of net profit of equity accounted investments	147	141	-	-	-	-	-	-	147	141
Total Revenue	152,221	142,190	6,122	4,026	43,571	14,538	(5,493)	(10,529)	196,421	150,224
Results										
Segment result	7,215	5,354	914	(317)	762	142	(147)	113	8,744	-
Specific & other items (ref note 3(d) & 3(e))	(1,313)	-			1,696	-			383	-
Consolidated entity profit from ordinary activities before income tax expense									9,127	5,292
Income tax expense									(1,822)	(1,414)
Consolidated entity profit from ordinary activities after income tax expense									<u>7,305</u>	<u>3,878</u>

11. Subsequent Events

There have been no events that have occurred subsequent to 31 December 2004 that require disclosure.

12. Impact of Adopting AASB Equivalents to IASB Standards

The Company has commenced transitioning its accounting policies and financial reporting from current Australian standards to Australian equivalents to International Financial Reporting Standards (IFRS). The Company has allocated internal resources and engaged external consultants to conduct an impact assessment to identify what key areas will be impacted by the transition to IFRS. As a result, the Company has graded impact areas as high, medium or low. Priority has been given to preparing an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will be required when the Company prepares its first fully IFRS compliant financial report for the year ended 30 June 2006. Set out below are the key areas where accounting policy will change. The impact of these changes has not been able to be reliably quantified at the time of this financial report.

Classification of Financial Instruments

Under AASB 139 Financial Instruments: Recognition and Measurement, financial instruments will be required to be classified into one of five categories which will determine the accounting treatment of the item. The classifications are loans and receivables – measured at amortised cost, held to maturity – measured at amortised cost, held for trading – measured at fair value with changes charged to net profit or loss, available for sale – measured at fair value with changes taken to equity and non-trading liabilities – measured at amortised cost. This will result in a change to the current accounting policy that does not classify financial instruments.

Hedge Accounting

Under AASB 139 Financial Instruments: Recognition and Measurement, in order to achieve a qualifying hedge certain criteria must be satisfied. The Company currently applies hedge accounting to its foreign currency forward exchange contracts. Where these are general hedges and are not referable to specific underlying transactions, and unable to be documented accordingly, all gains and losses will have to be brought to account in the Statement of Financial Performance.

Goodwill

Under the Australian equivalent to IFRS 3 Business Combinations, goodwill will no longer be able to be amortised but instead will be subject to annual impairment testing. Additionally, any discount on acquisition will have to be treated as an expense in the current year result. This represents a change from the current accounting policy where any discounts on acquisition have been accounted for by reducing proportionately the fair value of non-monetary assets acquired until the discount has been eliminated.

Foreign Currency Translation

Translation of Financial Reports of Overseas Subsidiaries

Under the Australian equivalent of IAS 21 The Effects of Changes in Foreign Exchange Rates, overseas entities will be required to determine their functional currency and measure their financial performance and position in this nominated currency. This may impact some of the Company's foreign operations. This will impact on the Foreign Currency Translation Reserve, the impact of which cannot be reliably estimated at present.

Income Taxes

The Company currently adopts the liability method of tax effect accounting. Under the Australian equivalent of IAS 12 income Taxes, the Company will be required to use a balance sheet liability method which focuses on the tax effects of transactions that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet.

Share Based Payments

Under AASB 2 Share Based Payments, the Company will be required to determine the fair value of performance rights issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. This standard also extends to options and other forms of equity based remuneration. It applies to all share based payments issued after 7 November 2002 which have not vested as at 1 January 2005. Reliable estimation of the future financial effects of this change in accounting policy is impracticable as the details of future equity based remuneration plans are unknown.

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 half year ended 31 December, 2004; and
- (b) the state of affairs of the company as at 31 December, 2004;
- (c) Complies with Accounting Standard AASB 1029' "Interim Financial Reporting" and the Corporations Regulation 2001.

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 company will be able to meet any obligations or liabilities to which it is or may become subject.

Signed in accordance with a resolution of the Directors.



Kym Godson
Managing Director
22 February 2005

Independent review report to members of Atlas Group Holdings Limited

Scope

The financial report and director's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Atlas Group Holdings Limited and the entities it controlled during the half year, and the directors' declaration for Atlas Group Holdings Limited, for the period ended 31 Dec 2004.

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 consolidated entity, 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*. We have given to the directors of the company a written Auditor's Independence Declaration.

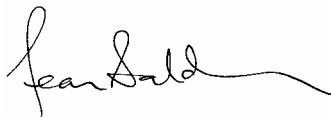
Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the 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 financial position of Atlas Group Holdings Limited at 31 December, 2004 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
Date: 22 February 2005