
ATLAS GROUP HOLDINGS LIMITED
(Formerly Atlas Steels Group Pty Limited)

ACN 098 674 545

HALF YEAR REPORT

31ST DECEMBER, 2002

Atlas Group Holding's Limited (Formerly Atlas Steels Group Pty Limited) Half Year Report 2003

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
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Web Site

www.atlas-steels.com.au

Auditors

Ernst & Young

Atlas Group Holdings Limited Half Year Report 2003

Directors' Report

Your directors submit their report for the half year ended 31st December, 2002.

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.

Name	Experience
<p>Mr Phillip Cave B.Bus FCPA</p>	<p>Mr Cave is an experienced Director, Chairman, Board Member and Chief Executive Officer with a career in major corporate turnaround projects, structured finance and corporate advisory services. Over a twenty-year period, Mr Cave has held these positions with PayConnect Solution, Parbury Limited, Wormald International, Reil Corporation and Macquarie Bank (Hill Samuel).</p> <p>Mr Cave's experience combines a mixture of hands-on management expertise across a wide variety of industries supported by an in-depth knowledge of the finance and banking worlds. During his career Mr Cave has raised in excess of \$1,000 million for a number of major corporate acquisitions. Mr Cave is a founding director of the Company</p>
<p>Mr Kym Godson Dip Tech (Bus Admin) FAICD, FAIM</p>	<p>Mr Godson is an experienced Managing Director and General Manager of industrial businesses. His early general management career was spent in several different operations within the ACI/Acmil/PGH group. Most significantly, Mr Godson was the 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>
<p>Mr Malcolm Mitchell MA, CA</p>	<p>Mr Mitchell is a Chartered Accountant with eighteen years experience in business and financial management, prior to which he had worked for five years in public accounting. During his career Mr Mitchell has had extensive hands-on experience of business reorganisation and financial restructuring. Mr Mitchell 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>

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Mr Peter Smaller
Bsc (Eng), MBA

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 Institute of Steel Construction. 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.

Mr Richard Grellman
FCA

Appointed to the Board in February 2003, Mr Grellman is also a member of the board of AMP having been appointed in 2000. He is currently the Chairman of the AMP's Board Audit and Compliance Committee and a member of its Nomination Committee, as well as being a Director of AMP Life Limited. 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 also hold directorships as Chairman of the Board and Council of the NSW Motor Accidents Authority and Chairman of Cryosite Limited.

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:

Director	Number of meetings held during the time the director held office	Number of meetings attended
PJ Cave	6	6
KG Godson	6	6
M Mitchell	6	6
P Smaller	6	5
R Grellman	-	-

Principal activities

The principal activity of the consolidated entity during the financial period was the manufacture and distribution of specialty steel products.

The Company is incorporated in New South Wales, Australia.

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Results and dividends

The net consolidated profit from ordinary activities of the consolidated entity after income tax was \$4,179,000.

The directors do not recommend that a dividend be paid.

Likely developments

The consolidated entity will continue to develop and expand its specialty steel manufacturing and distribution businesses, in Australia, New Zealand and Asia.

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

There were no significant changes to the Company's state of affairs during the financial period.

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

Directors' and senior executives' emoluments

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.

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).

At 31st December 2002 the Group employed a staff of 398 people.

Options

During the financial period, the Company granted 200,000 options over unissued ordinary shares to Mr Malcolm Mitchell and 200,000 options over unissued ordinary shares to Mr Kym Godson as part of their remuneration. The options were issued under the terms of the Directors and Employees Option Plan, are exercisable at \$1 for each ordinary share issued and expire on 30 August 2007. Shareholders approved the issue under the terms of the Shareholders Agreement dated 30 November 2001.

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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		Options over Ordinary Shares (a)
	Beneficially Held	As Trustee (b)	
PJ Cave	885,001	350,000	-
KG Godson	535,001	350,000	200,000
M Mitchell	300,001	350,000	200,000
P Smaller	150,000	-	-
R Grellman	-	-	-

(a) 30 August 2007 options exercisable at \$1.

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

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

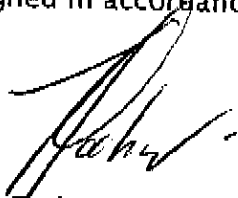
The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under AISC Class Order 98/0100. The Company is an entity to which the Class Order applies.

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Events subsequent to balance date

There has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Signed in accordance with a resolution of the directors:



KB Godson
Managing Director

13 May 2003.

Corporate Governance Statement

This statement outlines the main Corporate Governance practices that were in place throughout the financial period, unless otherwise stated.

Board of directors

The Board is responsible for the overall Corporate Governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The primary responsibilities of the Board include:

- the approval of the annual and half-year financial report
- the establishment of the long term goals of the Company and strategic plans to achieve those goals
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis
- ensuring that the Company has implemented adequate systems of internal control together with appropriate monitoring of compliance activities

The Board carries out its responsibilities according to the following principles:

- the Board shall comprise at least three directors, increasing where additional expertise is considered desirable in certain areas
- the directors should possess a broad range of skills, qualifications and experience
- the Board will endeavour to meet on a monthly basis
- all available information in connection with items to be discussed at a meeting of the Board shall be provided to each director prior to that meeting

The names of the directors of the Company in office at the date of this Statement are set out in the Directors' Report.

The Board will review its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. Where a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience.

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Interests of directors

Directors are required to disclose to the board any interest in a contract or proposed contract with the Company. A director who has a material personal interest in a matter absents himself from any meeting of the Board or a Committee when the matter is considered.

Dealing by directors in the securities of the Company are restricted under the terms of the Shareholders Agreement dated 30 November 2001, to which all Shareholders are party.

Independent professional advice

Each director has the right to seek independent professional advice at the consolidated entity's expense. However, prior approval of the Chairman is required, which is not unreasonably withheld.

Remuneration

The Board has established a remuneration committee. The remuneration committee will review the remuneration packages and policies applicable to the executive directors, senior executives and non-executive directors on an annual basis. Remuneration levels will be competitively set to attract qualified, experienced directors and senior executives. Where necessary the remuneration committee will obtain independent advice on the appropriateness of remuneration packages.

Business risk

The Board will monitor and if necessary receive advice on areas of operational and financial risk, and consider strategies for appropriate risk management arrangements.

Specific areas of risk, which are identified, will be regularly considered at Board meetings include performance of activities, human resources, the environment and disclosure obligations.

Ethical standards

The Board's policy for the directors and management is to conduct themselves with the highest ethical standards. All directors and employees will be expected to act with integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity.

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Audit committee

The Board has established an audit committee. The audit committee meets as required but on average three or four times a year to review the annual and half-yearly financial statements and reports and to consider other relevant issues.

The role of the audit committee is to review and monitor:

- the effectiveness of the external audit function, to review findings and issues brought to its attention and to report to the Board on appropriate action;
- internal financial controls to ensure they are effective to minimize financial and other major operating risks;
- the adequacy of management systems to ensure compliance with regulatory requirements and accounting standards; and
- the Australian and international taxation obligations of the Company.

Internal control framework

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. To assist in discharging this responsibility, the Board has instigated an internal control framework that includes:

- Financial reporting - there is a comprehensive budgeting system with an annual budget approved by the directors. Monthly actual results are reported against budget and revised forecasts for the year are prepared regularly. The consolidated entity reports to shareholders annually.
- Investment appraisal - the consolidated entity has clearly defined guidelines for capital expenditure. These include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

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Condensed Statement of Financial Performance
Half year ended 31st December, 2002.

	Notes	Consolidated		Company	
		6 Months Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June 2002 \$'000	6 Months Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June 2002 \$'000
Revenues from ordinary activities	2	140,372	138,828	1,133	2,432
Changes in inventories of finished goods and work in progress		(89,009)	(79,270)	-	-
Raw material and consumables used		(16,354)	(15,466)	-	-
Depreciation and amortization expense	3(a)	(820)	(1,149)	-	-
Borrowing costs expense	3(b)	(3,225)	(5,348)	(689)	(3,360)
Salaries and employee benefits expense		(11,957)	(12,330)	-	-
Other expenses from ordinary activities		(13,016)	(11,055)	(84)	(1,052)
Share of net profits of associated accounted for entities using the equity method		223	141	-	-
Profit/(loss) from ordinary activities before income tax		6,214	14,351	360	(1,980)
Income tax (charge)/benefit attributable to profit/(loss) from ordinary activities	5	(2,035)	(255)	(108)	594
Profit/(loss) from ordinary activities after income tax		4,179	14,096	252	(1,386)
Net (Profit)/loss attributable to outside equity interest	17	(12)	(263)	-	-
Net profit/(loss) attributable to members of the Company		4,167	13,833	252	(1,386)
Net exchange difference or translation of financial statements or foreign controlled entity	16, 17	497	732	-	-
Total changes in equity other than those resulting from transactions with owners as owners		4,664	14,565	252	(1,386)
Profit/(loss) from ordinary activities after income tax expense comprises:					
Ongoing operations		3,990	3,150	-	469
Net significant items	3(d)	189	10,946	-	(1,855)
		4,179	14,096		(1,386)

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Condensed Statement of Financial Position
31 December, 2002

	Notes	Consolidated		Company	
		31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Current assets					
Cash		2,670	967	4	2
Receivables	6	52,525	52,711	6,996	6,796
Inventories	7	68,502	60,059	-	-
Other	8	403	743	-	-
Total current assets		124,101	114,480	7,000	6,798
Non-current assets					
Investments	9	-	-	3,746	3,746
Investments accounted for using the equity method	10	2,653	2,430	-	-
Property, plant and equipment	11	12,206	11,622	-	-
Deferred tax assets	5	4,113	2,633	508	596
Other	8	2	22	-	-
Total non-current assets		18,973	16,707	4,254	4,342
Total assets		143,073	131,187	11,254	11,140
Current liabilities					
Payables	12	48,118	39,169	30	124
Current tax liabilities	5	647	438	22	2
Provisions	13	2,456	2,950	336	400
Total current liabilities		51,220	42,557	388	526
Non current liabilities					
Payables	12	-	166	-	-
Interest bearing liabilities	14	65,720	67,741	9,000	9,000
Provisions	13	2,435	2,130	-	-
Total non current liabilities		68,155	70,037	9,000	9,000
Total liabilities		119,375	112,594	9,388	9,526
NET ASSETS		23,698	18,593	1,866	1,614
Parent entity interest					
Contributed equity	15	3,000	3,000	3,000	3,000
Reserves	16	1,149	648	-	-
Retained profits	16	18,000	13,833	(1,134)	(1,386)
Total parent entity interest in equity		22,149	17,481	1,866	1,614
Total outside equity interest	17	1,549	1,112	-	-
TOTAL SHAREHOLDERS' EQUITY		23,698	18,593	1,866	1,614

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Condensed Statement of Cash Flows
Half Year Ending 31 December, 2002

	Notes	Consolidated		Company	
		6 Months Ending 31 Dec 2002 \$'000	7 Nov 2001 30 June 2002 \$'000	6 Months Ending 31 Dec 2002 \$'000	7 Nov 2001 30 June 2002 \$'000
Cash flows from operating activities					
Receipts from customers		152,426	141,606	1,450	1,229
Payments to suppliers and employees		(138,974)	(135,868)	(322)	(948)
Interest received		20	49	315	1,288
Interest paid		(3,211)	(3,493)	(675)	(1,505)
Income tax paid		(1,198)	(445)	-	-
Goods and services tax paid		(4,425)	(8,192)	-	4
Net cash inflow/(outflow) from operating activities	21(b)	4,638	(6,343)	768	68
Cash flows from investing activities					
Proceeds from disposal of property, plant and equipment		30	30	-	-
Payment for controlled entities (net of cash acquired)	21(c)	-	(58,709)	-	(62,720)
Payments for business acquisition costs	21(c)	-	(2,392)	-	(2,392)
Payments for plant and equipment		(1,363)	(939)	-	-
Net cash inflow/(outflow) from investing activities		(1,333)	(62,010)	-	(65,112)
Cash flows from financing activities					
Proceeds from issue of shares		429	3,000	-	3,000
Proceeds from borrowings		12	69,262	-	62,364
Repayment of borrowings		(2,293)	(742)	-	(318)
Loan to controlled entity		-	-	(766)	-
Loan to associated entity		250	(2,200)	-	-
Net cash inflow/(outflow) from financing activities		(1,602)	69,320	(766)	65,046
Net increase/(decrease) in cash held		1703	967	2	2
Cash at the beginning of the financial period		967	-	2	-
Cash at the end of the financial period	21(a)	2,670	967	4	2

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1. Summary of significant accounting policies

The significant policies that have been adopted in the preparation of this half year 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 applicable Accounting Standards including AASB 1029 'Interim Financial Reporting' and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) for distribution to the members.

The financial statements have been prepared in accordance with the historical cost convention, except for certain assets, which are at valuation.

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

This half year financial report should be read in conjunction with the most recent annual financial report as it does not contain all the notes of the type included in an annual 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.

(b) 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.

(c) 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.

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(d) 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.

(e) 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.

(f) 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 |

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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

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.

(k) 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 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.

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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.

(l) 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.

(m) Goods & services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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.

(n) 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.

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.

(o) 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.

(p) 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.

(q) 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.

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(r) 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 transaction 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.

(s) 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.

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2. Revenue from ordinary activities	Consolidated		Company	
	6 Months Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June 2002 \$'000	6 Months Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June 2002 \$'000
Revenues from operating activities				
Sales of goods and services	138,875	137,535	-	-
Other revenue	1,438	1,172	18	6
Total revenues from operating activities	140,313	138,707	18	6
Revenues from non-operating activities				
Interest - other parties	20	49	-	-
Interest - related entities	-	-	315	1,288
Rent revenue	9	42	-	-
Management fees received	-	-	800	1,136
Proceeds from sales of fixed assets	30	30	-	-
Total revenues from non-operating activities	59	121	1,115	2,426
Total revenues from ordinary activities	140,372	138,828	1,133	2,432
Share of net profits of associates accounted for using the equity method.	223	141	-	-
3. Expenses and losses/(gains)				
(a) Expenses				
Cost of goods sold	110,590	111,102	-	-
Depreciation of non current assets				
Buildings	34	55	-	-
Plant and equipment	786	1,094	-	-
Total depreciation and amortisation expenses	820	1,149	-	-
Rental - operating leases	1,977	1,998	-	-
Decrement in the value of inventories	284	711	-	-
Bad and doubtful debts - trade debtors	99	335	-	-
(b) Borrowing costs				
Interest expense	3,144	3,388	675	1,484
Other borrowing costs	81	1,960	14	1,876
Total borrowing costs	3,225	5,348	689	3,360
(c) Losses/(gains)				
Loss/(gain) on disposal of plant and equipment	(5)	(15)	-	-
Foreign exchange losses/(gains)	(488)	(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	(189)	(13,563)	-	-

Atlas Group Holdings Limited Half Year Report 2003

4. Auditors' Remuneration

	Consolidated		Company	
	6 Months Ending 31 Dec 2002	7 th Nov 2001 To 30 June 2002	6 Months Ending 31 Dec 2002	7 th Nov 2001 To 30 June 2002
Amounts receivable or due and receivable by the auditors, from the Company for:				
Auditing the accounts	88,892	160,000	-	-
Other services	2	76,991	-	63,447
	88,894	236,991	-	63,447

5. Income tax

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 loss from ordinary activities

Tax effect of permanent differences

 Increase in income tax expense due to:

 Share of associates net profit

 Entertainment

 Non deductible depreciation

 Discount on acquisition of assets realised during the period

 Other

Income tax expense attributable to ordinary activities

Deferred tax asset and liabilities

 Current tax payable

 Future income tax benefit

Future income tax benefit is booked only if:

- Future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realized.
- The conditions for deductibility imposed by tax legislation continue to be complied with; and
- No changes in tax legislation adversely affect the consolidated entity in realizing the benefit.

	\$'000	\$'000	\$'000	\$'000
Prima facie income tax expense on loss from ordinary activities	1,896	4,316	108	(594)
Tax effect of permanent differences				
Increase in income tax expense due to:				
Share of associates net profit	(67)	(42)	-	-
Entertainment	31	26	-	-
Non deductible depreciation	19	70	-	-
Discount on acquisition of assets realised during the period	(57)	(4,069)	-	-
Other	213	(46)	-	-
Income tax expense attributable to ordinary activities	2,035	255	108	(594)
Deferred tax asset and liabilities				
Current tax payable	647	438	22	2
Future income tax benefit	4,113	2,633	508	596

6. Receivables

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Current				
Trade receivables	48,025	48,688	-	7
Less: Provision for doubtful debts	(652)	(441)	-	-
	47,373	48,247	-	7
Other receivables	3,003	1,780	174	254
Loans to controlled entities	-	-	6,822	6,535
Loans to associated entities (See Note 24)	2,149	2,684	-	-
	52,525	52,711	6,996	6,796

Atlas Group Holdings Limited Half Year Report 2003

7. Inventories	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Current				
Raw materials and stores				
At cost	3,294	2,779	-	-
Work in progress				
At cost	1,258	1,319	-	-
Finished goods				
At cost	65,866	57,876	-	-
Provision for diminution in value	(1,916)	(1,915)	-	-
Total inventories	68,502	60,059	-	-
8. Other assets				
Current				
Prepayments	395	697	-	-
Other	8	46	-	-
	403	743	-	-
Non current				
Prepayments	2	22	-	-
	2	22	-	-
9. Investments				
Non current				
Controlled entities at cost	Note 20	-	-	3,746
				3,746
10. Investments accounted for using the equity method.				
Investment in associate 10(a)		2,653	2,430	-
				-
a. Interest in associate:				
Name		Balance Date		Ownership Interest held by the Consolidated Entity 2002
Pacific Stainless Processors Pty Ltd		31 st Dec		50%
(i) Principal activity:				
Pacific Stainless Processors Pty Ltd is engaged in the processing of Stainless Steel Sheet & Coil products within Australia				

Atlas Group Holdings Limited Half Year Report 2003

10. Investments accounted for using the equity method continued	Consolidated	
	6 Months Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June, 2002 \$'000
(ii) Share of associates profits (losses)		
Share of Associate's		
- Net profit before income tax	223	141
- Income tax expense attributable to net profit	-	-
- Net profits after income tax	<u>223</u>	<u>141</u>
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	
	31 Dec 2002 \$'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	223	141
Carrying amount of investment in associate at the end of the financial year	<u>2,653</u>	<u>2,430</u>
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.		
(iv) Share of associate assets & liabilities		
Current assets	609	542
Non current assets	3,787	3,926
Current liabilities	590	530
Non current liabilities	<u>1,872</u>	<u>2,225</u>
	<u>1,934</u>	<u>1,713</u>
(v) Retained profits of the consolidated entity attributable to associate.		
Balance at the beginning of the financial period	141	-
Share of associates net profits	223	141
Balance at the end of the financial year	<u>364</u>	<u>141</u>

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11. Property, plant & equipment	Consolidated		Company	
	31 Dec	30 June	31 Dec	30 June
	2002	2002	2002	2002
	\$'000	\$'000	\$'000	\$'000
Freehold - Land				
At cost	805	805	-	-
Buildings				
At cost	4,735	4,443	-	-
Accumulated depreciation	(104)	(49)	-	-
	<u>4,631</u>	<u>4,394</u>	-	-
Leasehold - Improvements				
At cost	70	19	-	-
Accumulated depreciation	(9)	(6)	-	-
	<u>61</u>	<u>13</u>	-	-
Plant and equipment				
At cost	8,575	7,403	-	-
Accumulated depreciation	(1,990)	(1,094)	-	-
	<u>6,585</u>	<u>6,309</u>	-	-
Finance leased plant & equipment				
At cost	135	101	-	-
Accumulated Depreciation	(11)	-	-	-
	<u>124</u>	<u>101</u>	-	-
Total property plant & equipment	<u>12,206</u>	<u>11,622</u>	-	-
Reconciliations				
Freehold Land				
Carrying amount at beginning of financial period	805	-	-	-
Additions	-	-	-	-
Additions through acquisition of entities	-	805	-	-
Disposals	-	-	-	-
Net foreign currency movement arising from self sustaining foreign operations	-	-	-	-
Depreciation expense	-	-	-	-
	<u>805</u>	<u>805</u>	-	-
Buildings				
Carrying amount at beginning of financial period	4,394	-	-	-
Additions	267	1	-	-
Additions through acquisition of entities	-	4,442	-	-
Disposals	-	-	-	-
Net foreign currency movement arising from self sustaining foreign operations	-	-	-	-
Depreciation expense	(30)	(49)	-	-
	<u>4,631</u>	<u>4,394</u>	-	-
Leasehold - Improvements				
Carrying amount at beginning of financial period	13	-	-	-
Additions	52	13	-	-
Additions through acquisition of entities	-	6	-	-
Disposals	-	-	-	-
Net foreign currency movement arising from self sustaining foreign operations	-	-	-	-
Depreciation expense	(4)	(6)	-	-
	<u>61</u>	<u>13</u>	-	-

Atlas Group Holdings Limited Half Year Report 2003

11. Property, plant & equipment continued

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Plant & Equipment				
Carrying amount at beginning of financial period	6,309	-	-	-
Additions	1,010	824	-	-
Additions through acquisition of entities	-	6,507	-	-
Disposals	(26)	(15)	-	-
Net foreign currency movement arising from self sustaining foreign operations	67	87	-	-
Depreciation expense	(775)	(1,094)	-	-
	6,585	6,309	-	-
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	34	101	-	-
Additions through acquisition of entities	-	-	-	-
Disposals	-	-	-	-
Net foreign currency movement arising from self sustaining foreign operations	-	-	-	-
Depreciation Expense	(11)	-	-	-
	124	101	-	-

12. Payables

Current

Trade payables	33,244	32,282	1	32
Other payables and accruals	13,615	6,374	-	118
Goods & services tax	1,259	513	29	(26)
	48,118	39,169	30	124

Non current

Other payables and accruals	-	166	-	-
	-	166	-	-

13. Provisions

Current

Employee entitlements	2,098	2,293	-	-
Other	358	657	336	400
	2,456	2,950	336	400

Non current

Employee entitlements	2,371	2,070	-	-
Other	64	60	-	-
	2,435	2,130	-	-

14. Interest bearing liabilities

Non Current

Lease liability	91	79	-	-
Borrowings secured by fixed and floating charges	65,629	67,662	9,000	9,000
	65,720	67,741	9,000	9,000

The borrowings consist of:

- a \$70 million 4 year revolving variable interest loan facility, drawn to \$53.0 million, with an average variable interest rate of 8.08% which is based on BBSW plus a margin.
- a \$5 million amortising 4 year variable interest term loan, drawn to \$3.6 million at the half year, with an average variable interest rate of 8.07% which is based on BBSW plus a margin; and
- a \$9 million fully drawn 5 year term loan with a fixed interest rate of 15%.

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15. Contributed equity

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
(a) Issued and paid up capital	3,000	3,000	3,000	3,000
	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
(b) Movements in shares on issue		Number of Shares		\$'000
Beginning of financial period	4,431,148	-	3,000	-
Issued during the year	-	4,431,148	-	3,000
End of financial period	<u>4,431,148</u>	<u>4,431,148</u>	<u>3,000</u>	<u>3,000</u>

(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 have an exercise price of \$1.

At the end of the half year there were 502,500 unissued ordinary shares in respect of which options were outstanding. These options were converted to fully paid ordinary shares on 9 May 2003.

16. Reserves and retained profits

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Foreign currency translation reserve	1,149	648	-	-
Retained Earnings	<u>18,000</u>	<u>13,833</u>	<u>(1,134)</u>	<u>(1,386)</u>
(a) Foreign currency translation:				
Balance at beginning of financial period	548	-	-	-
Gain on translation of overseas controlled entities	501	648	-	-
Balance at end of period	<u>1,149</u>	<u>648</u>	<u>-</u>	<u>-</u>
(b) Retained earnings:				
Balance at beginning of financial period	13,833	-	(1,386)	-
Net profit of the period	4,167	13,833	252	(1,386)
Balance at end of financial period	<u>18,000</u>	<u>13,833</u>	<u>(1,134)</u>	<u>(1,386)</u>

17. Outside equity interests

Reconciliation of outside equity interest in controlled entities

Opening balance	1,112	-	-	-
Additions through investment of capital	429	-	-	-
Additions through acquisition of entities	-	765	-	-
Share of gain on translation of overseas controlled entities	(4)	84	-	-
Share of operating profit	12	263	-	-
Closing balance	<u>1,549</u>	<u>1,112</u>	<u>-</u>	<u>-</u>

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18. Employee entitlements and superannuation commitments

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Employee entitlements				
The aggregate employee entitlement liability is comprised of:				
Accrued wages, salaries and on costs	877	174	-	-
Provisions (Current)	2,098	2,293	-	-
Provisions (Non Current)	2,371	2,070	-	-
	5,346	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 Option Share

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

The options, issued for nil consideration, are issued for a term of 5 years and are exercisable from 24th March, 2003. There are currently 2 Directors and 4 members of staff eligible for this scheme.

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

	31 Dec, 2002		30 June, 2002	
	Number of Options	Exercise Price	Number of Options	Exercise Price
Balance at beginning of year	-	-	-	-
- Granted	502,500	\$1.00	-	-
Balance at end of year	502,500	\$1.00	-	-
Exercisable at end of the half year	502,500	\$1.00	-	-

Subsequent to the end of the half year all the options were converted to fully paid ordinary shares.

19. Commitments and contingencies

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'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	318	293	-	-
	318	293	-	-
(b) Operating lease expenditure commitments				
Not later than one year	3,816	3,813	-	-
Later than one year but not later than five years	12,578	12,678	-	-
Later than five years	6,583	7,698	-	-
	22,977	24,189	-	-
(c) Finance lease expenditure commitments				
Later than one year, but not later than five years	91	79	-	-
	91	79	-	-

Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated.

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(d) Contingent liabilities

At 31 December 2002 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 20 regarding the class order between certain subsidiaries and the company.

20. Particulars in relation to controlled entities

Name of parent	Country of Incorporation	Percentage of equity interest held by the consolidated entity	Investment	Percentage of equity interest held by the consolidated entity	Investment
		31 Dec 2002	31 Dec 2002	30 June 2002	30 June 2002
		%	\$'000	%	\$
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	3,746	100.00	3,746
PT Bima Bisalloy	Indonesia	60.00	Λ 888	60.00	Λ 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 Pty 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	@466	-	-

Ø *Subsequent to period end 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*

Λ *Investment is held by Bisalloy Steels Pty Ltd*

Investment is held by Atlas Alloys Pty Limited

@ *Investment is held by Bisalloy Asia Pte Ltd*

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 lodgement 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.

Atlas Group Holdings Limited Half Year Report 2003

21. 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 statements of cash flows is reconciled to the related items in the balance sheets as follows:

	Consolidated		Company	
	31 Dec 2002 \$'000	30 June 2002 \$'000	31 Dec 2002 \$'000	30 June 2002 \$'000
Cash at bank	2,644	943	4	2
Cash at hand	26	24	-	-
	2,670	967	4	2

(b) Reconciliation of operating loss after income tax to net cash provided by operating activities

Net Profit/(loss) from ordinary activities after income tax	4,179	14,096	252	(1,386)
Non cash items				
Depreciation	1,009	1,149	-	-
Acquisition costs	-	1,855	-	1,855
Share of associate's net (profits)/losses	(223)	(141)	-	-
(Profit)/Loss on disposal of plant and equipment	(5)	(15)	-	-
Discount on acquisition of assets realised during the period	(189)	(13,563)	-	-
Change in operating assets and liabilities				
(Increase)/decrease in receivables & other assets	229	(3,779)	566	(6,542)
(Increase)/decrease in inventories	(8,441)	(931)	-	-
(Increase)/decrease in tax assets & liabilities	(1,272)	(185)	108	(594)
Increase/(decrease) in trade creditors	9,539	(5,187)	(94)	6,335
Increase/(decrease) in provisions	(188)	358	(64)	400
Net cash used in operating activities	4,638	(6,343)	768	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	-	-	-	118
Claims receivable	-	-	-	(254)
Total consideration	-	-	-	62,584

Atlas Group Holdings Limited Half Year Report 2003

21. Notes to the statement of cash flows Contd	Consolidated		Company	
	6 Mths Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June 2002 \$'000	6 Mths Ending 31 Dec 2002 \$'000	7 th Nov 2001 To 30 June 2002 \$'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		
FTB	-	1,399		
Other assets	-	529		
Accounts payable	-	(44,619)		
Provisions	-	(4,111)		
Loans				
	-	<u>80,377</u>		
Outside equity interest in acquisition	-	(765)		
		<u>79,612</u>		
Total consideration	-	<u>62,584</u>		
Discount	-	17,028		
Restructuring and acquisition costs				
Acquisition expenses & provisions	-	2,605		
Capitalised acquisition expenses	-	187		
Total restructuring and acquisition cost	-	<u>2,792</u>		
Net discount	-	<u>14,236</u>		
Net cash effect				
Cash consideration paid	-	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	-	<u>58,710</u>		<u>62,720</u>
Restructuring and acquisition costs paid in cash	-	<u>2,391</u>		<u>2,391</u>

The total consideration includes a provision for restructuring of \$750,000, primarily for site rationalisation, staff redundancies and retraining.

During the 6 months ending 31st December, 2002 \$643,463 was paid for additional share capital of PT Bima Bisalloy.

(d) Financing facilities available

At balance date the Group had financing facilities available, refer note 14 for details, of \$82,625,000 of which \$65,629,000 were used, leaving an unused facility of \$16,996,000 available.

22. Subsequent Events

There have been no events that have occurred subsequent to 31 December 2002 which require disclosure.

Atlas Group Holdings Limited Half Year Report 2003

2.3. Primary Segment Information

Geographic Segments	Australia		Asia		New Zealand		Other		Eliminations		Consolidated	
	Dec 2002 \$'000	June 2002 \$'000	Dec 2002 \$'000	June 2002 \$'000	Dec 2002 \$'000	June 2002 \$'000	Dec 2002 \$'000	June 2002 \$'000	Dec 2002 \$'000	June 2002 \$'000	Dec 2002 \$'000	June 2002 \$'000
Operating revenue												
Sales to customers outside the consolidated entity	112,866	118,558	6,518	4,289	19,203	14,688	288	-	-	-	138,875	137,535
Other revenues from customers outside the consolidated entity	1,112	3,481	385	222	-	16	-	-	-	(2,426)	1,497	1,293
Intersegment revenues	1,645	2,213	-	-	-	-	-	-	(1,645)	(2,213)	-	-
Equity accounted profit share	223	141	-	-	-	-	-	-	-	-	223	141
Total revenue	115,846	124,393	6,903	4,511	19,203	14,704	288	-	(1,645)	(4,639)	140,595	138,969
Segment results before tax	4,361	11,255	605	1,310	1,213	1,766	35	-	-	-	6,214	14,351
Consolidated entity operating profit after tax											4,179	14,096

Geographic segment based on location of customers

Atlas Group Holdings Limited Half Year Report 2003

Director's 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 2002; and
- (b) the state of affairs of the company as at 31 December 2002;

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

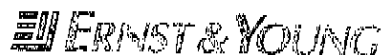
In the opinion of the directors, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 20 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

Signed in accordance with a resolution of the Directors.



Kym Godson
Managing Director

13 May 2003



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Melbourne VIC 3000
Australia

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DX 293 Melbourne

INDEPENDENT AUDIT REPORT

GPO Box 67
Melbourne VIC 3001

To the members of Atlas Group Holdings Limited

Scope

We have audited the attached financial report, comprising the Statement of Financial Position, Statement of Financial Performance, Cash Flow Statement and Notes to the Financial Statements of Atlas Group Holdings Limited for the half year ended 31 December 2002, as set out on pages 11 to 32 including the Director's Declaration. The financial report includes the consolidated financial statements of the consolidated entity comprising Atlas Group Holdings Limited and the entities it controlled at the end of the half year and from time to time during the half year. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of Atlas Group Holdings Limited.

The financial report has been prepared for distribution to members for the purpose of providing half year financial information. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with the Accounting Standard AASB 1029 'Interim Financial Reporting' and other mandatory professional reporting requirements in Australia so as to present a view which is consistent with our understanding of the consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the half year financial report of Atlas Group Holdings Limited presents fairly in accordance with Accounting Standard AASB 1029 'Interim Financial Reporting' and other mandatory professional reporting requirements in Australia, the financial position of Atlas Group Holdings Limited as at 31 December 2002 and its financial performance and its cash flows for the half year then ended.

Ernst & Young
Melbourne

13 May 2003