



ATLAS GROUP HOLDING LIMITED
A.C.N. 098 674 545
Appendix 4D – Half Yearly Financial Report
Half-Year Ended 31 December 2006

Results for announcement to the market

					\$'000
Revenues from continuing operations	down	2%	to		\$205,686
Net profit / (loss) for the period attributable to members	up	95%	to		(\$172)

	Amount per security	Franked amount per security
Dividends		
Interim dividend	1.5 cents	unfranked
Previous corresponding period	3.9 cents	fully franked
Record date for determining entitlements to the dividend	3 May 2007	

	HY07	HY06
Other		
Net tangible asset backing	48.3 cps	55.2 cps

Explanation of Results

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



Directors' Report

The Directors submit their report for the half-year ended 31 December 2006.

Business impacted by poor performance in New Zealand and Project Services

- Market conditions stable. However sales revenues were disappointing. Improvement expected in second half.
- Record Bisalloy production achieved during the half. Expect full commissioning of extensions to be completed by end March 2007.
- Overall the Australian distribution business performed to expectations. However, profitability was impacted by underperformance in New Zealand and the Project Services Group.
- Changes to the Executive Management team announced and expected to impact positively in second half.
- Write-off of a deferred tax asset of \$2.5m in New Zealand under AASB 112 impacted NPAT.
- Substantially higher metals prices and increased supplier deliveries resulted in an increase in net inventory to \$140.3m and net debt to \$108.0m at the end of the half.
- Normalised EBIT for the full year estimated at between \$19.0m to \$21.0m.
- Interim dividend of 1.5c unfranked.

Results Summary - Atlas Group Holdings Limited results for the half-year ended 31 December 2006 (HY07)			
\$'m	HY07	HY06	% Change
Group Statutory Reporting Basis (Continuing Operations)			
Sales revenues	204.0	208.3	-2.0%
Earnings before interest and tax ("EBIT")	7.2	9.2	-22.2%
Operating cash flow ("OCF")	(16.5)	18.4	
Net profit after tax ("NPAT")	0.0	3.4	-99.3%
Earnings per share (EPS) (cents)	(0.2c)	3.2c	
Dividend (cents)	1.5c	3.9c	

Results Summary - Atlas Group Holdings Limited results for the half-year ended 31 December 2006 (HY07)			
\$'m	HY07	HY06	% Change
Normalised Reporting Basis (Continuing Operations)			
Sales revenues	204.0	208.3	-2.0%
EBIT	8.7	12.0	-27.9%
EBIT margin (%)	4.2%	5.8%	
OCF	(16.5)	18.7	
NPAT	3.6	5.4	-33.8%
EPS (cents)	3.5c	5.1c	

Review of Operations / Results Analysis

Sales revenues for the first half were broadly in line with those achieved in the prior corresponding period. The Australian distribution business performed to expectation. Bisalloy operations achieved sound performance over the half. Earnings were negatively impacted by underperformance from New Zealand and Project Services together with delays in achieving anticipated efficiencies from the new centralised supply chain business model.

Normalised EBIT at \$8.7m was 28% below the previous corresponding period and normalised NPAT at \$3.6m was 34% below the HY06 result.

A reconciliation of the reported earnings and net profit result with the underlying trading performance is given below:

\$'m	HY07	HY06
Reporting EBIT (Continuing Operations)	7.2	9.2
add back:		
Project Services provisions	1.5	
Atlas distribution - restructuring expenses incurred		1.8
Atlas distribution - inventory discontinuance provision		1.0
Normalised EBIT (Continuing Operations)	8.7	12.0

\$'m	HY07	HY06
Reporting NPAT (Continuing Operations)	0.0	3.4
add back (after tax):		
Project Services provisions	1.1	
Write back deferred tax asset from New Zealand operations	2.5	
Atlas distribution - restructuring expenses incurred		1.3
Atlas distribution - inventory discontinuance provision		0.7
Normalised NPAT (Continuing Operations)	3.6	5.4
Normalised EPS (Continuing Operations) (cents per share)	3.5c	5.1c

The disappointing first half performance resulted in a detailed review to identify actions required to immediately address underperforming operations. Areas that will receive near-term management attention include our operations in New Zealand, the Project Services Group and more broadly the operational effectiveness of the central supply chain business model.

It is important to note that the need for remedial actions referred to above do not represent a change to the strategic direction of the Atlas Group. Atlas remains committed to delivering shareholder value and growth by expanding its revenue base, broadening its geographic and product coverage and participating in downstream value-added processing.

Four key areas that continue to be a focus for achieving growth include:

- continuing to investigate progressive expansion of Bisalloy's capacity,
- increasing market share in the Australia-New Zealand markets,
- expanding our geographic coverage in South East Asia, and
- pursuing further development of our international Project Services business.

Atlas previously reported that transformation of the Atlas Group was "substantially complete" from a structural perspective. However, the first half results indicate that there is still work to be done to ensure that new processes and procedures are optimised and further refined. Increased utilisation of the SAP system represents one area where Atlas believes substantial additional benefits can be realised.

Atlas remains committed to the continued implementation of a best practice supply chain model incorporating centralised procurement and the operation of large-scale centralised warehousing and distribution facilities.

The continued transformation of the business has been taking place against a trading environment of strong demand from the resources sector. Sales weakness has been mainly due to lost market share in the underperforming businesses.

Executive / Senior Management Changes

Mr Kym Godson (former Atlas CEO) has been re-appointed to the role to fill the vacancy left by Dr Martin Foreman. Mr Godson has an in-depth knowledge of the company and the industry and it is intended that he will continue in the role until a suitable long-term replacement is found.

Mr John Reid assumed the role as the Chief Financial Officer on 12 February 2007 to fill the vacancy left by the retirement of Mr Malcolm Mitchell which was announced to the market at the recent AGM.

During the half, Atlas strengthened its commitment to customer service with the creation and the appointment of the new role of Group Manager – Sales.

In conjunction with the initiatives described above, and subsequent to the period end, a number of additional changes have been made to the senior management team.

New appointments have been made to the management of our Project Services and WA distribution businesses. We also anticipate appointments in the near-term to lead our New Zealand operations and our central supply chain function.

Segment Analysis

Shown below is a breakdown of sales revenue and earnings before interest and tax by major business segment.

\$'m	HY07	HY06	% Change
Sales Revenue (Continuing Operations)			
Distribution	157.0	162.8	-3.6%
Manufacturing	59.6	57.3	4.0%
Eliminations / Unallocated	(10.9)	(11.0)	
	205.7	209.1	-1.6%
EBIT (Normalised)			
Distribution	(0.6)	3.7	-116.2%
Manufacturing	9.4	11.4	-17.5%
Eliminations / Unallocated	(0.1)	(3.1)	
	8.7	12.0	-27.5%

Distribution

The underlying earnings of Atlas distribution decreased by 116% when compared to the previous corresponding period.

The core Australian distribution operations performed according to expectations. Atlas' West Australian operations have been affected by changes in management. The recent appointment of a new State Manager will stabilise and improve the performance of this business.

The major driver of the poor result was the performance of the New Zealand operations. An immediate review of the recent changes to New Zealand operations has been undertaken and recovery of the business has commenced. Senior management changes have occurred and a clear distinction between Distribution and Manufacturing operations will be made with greater accountability for profit being placed on branch management.

Manufacturing

Atlas' manufacturing which comprises Bisalloy (quenched and tempered plate manufacturing) and New Zealand Tube Mills, decreased earnings by 17% compared to the record earnings achieved in the previous corresponding period.

Decreased earnings were primarily a result of lower prices for quenched and tempered plate which retreated from record highs in the prior corresponding period.

Bisalloy production for the half was a record 20,429 tonnes.

The second shot blaster was installed at Bisalloy, with full commissioning expected to be completed by the end of March 2007. Demand for quenched and tempered plate remains strong with record domestic market demand forecast for the 2007 financial year.

Manufacture of stainless steel and mild steel tube from New Zealand Tube Mills progressed with consolidation of manufacturing for products at the Wellington site.

Balance Sheet

Net inventory and net debt increased substantially over the period to \$140.3m (FY06: \$89.9m) and \$108.0m (FY06: \$84.4m) respectively. These changes were driven by increased supplier deliveries and sharply higher global specialty metal prices including record nickel prices. The Asian stainless steel benchmark price (2mm 304-2B) increased by 47% over the period rising from US\$2,900/t to US\$4,250/t. The aluminium price rose by a more modest 11% over the same interval.

Group gross inventory rose by 56% in value terms over the past six months but by only 22% in tonnage terms. In contrast the average sales price increased by only 4% compared to the preceding 6 months indicating that the recent substantial price rises have yet to fully flow through to sales revenue.

The debt / debt plus equity ratio at 31 December 2006 was 65.7% compared to 58.7% at 30 June 2006.

Cash Flow

Operating cash flow was substantially impacted by rising metal prices and an increase in inventory levels. Cash outflow was \$16.5m compared to a cash inflow of \$18.4m in the prior corresponding period.

Capital Expenditure

Capital expenditure for the period was \$5.0m. The major expenditure areas were \$2.2m in plant and equipment associated with the Bisalloy expansion, \$0.7m for SAP implementation in New Zealand and at Bisalloy. The balance of the capital expenditure largely comprised normal replacement expenditure. Net depreciation for the period was \$2.1m.

Outlook

We expect the distribution businesses to deliver substantially improved operating performance in the second half as underperforming operations are addressed.

The outlook for Bisalloy remains robust with strong demand and ramp-up of production to continue into the second half.

As a result of the performance issues encountered during the half year the underlying profit (EBIT) is expected to be in the range \$19.0m to \$21.0m for the full year.

Dividend

The Directors have declared a 1.5c unfranked interim dividend for the half year ended 31 December 2006. The dividend will be paid on 17 May 2007 to all shareholders recorded on the Company's share register at 3 May 2007.

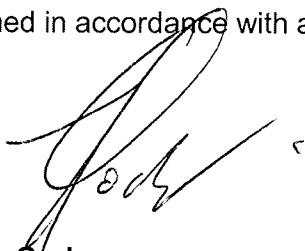
Shareholders will be eligible to participate in the Company's Dividend Reinvestment Plan ("DRP") in relation to the interim dividend. The Directors have determined that shares issued under the DRP will be issued at a 5% discount. The last date for receipt of notices for participation in the DRP in respect of the interim dividend is 3 May 2007.

DIRECTORS

The names of Directors of Atlas Group Holdings Limited in office during the financial period and until the date of this report are set out below. Directors were in office for the entire period, unless otherwise stated.

Name	Position
Mr Phillip Cave B.Bus, FCPA	Non-Executive Chairman
Mr Kym Godson	Chief Executive Officer and Managing Director (appointed
Dip Tech (Bus Admin) appointment) FAICD, FAIM	30 January 2007; Non-Executive Director prior to
Mr Richard Grellman FCA	Non-Executive Director
Mr Graeme Pettigrew FPNA, FAIM, FAICD	Non-Executive Director
Dr Martin Foreman BSc (Hons), Phd	Managing Director (resigned 30 January 2007)
Mr Malcolm Mitchell MA, CA	Finance Director (resigned 12 February 2007)

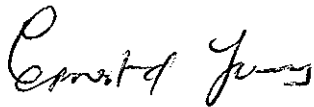
Signed in accordance with a resolution of the Directors.



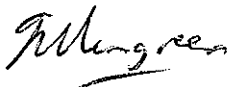
Kym Godson
Managing Director
28 February 2007

Auditor's Independence Declaration to the Directors of Atlas Group Holdings Limited

In relation to our review of the financial report of Atlas Group Holdings Limited for the half-year ended 31 December 2006, 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



Ivan Wingreen
Partner
Melbourne
28 February 2007



**Consolidated Income Statement
For the Half-Year ended 31 December 2006**

	Notes	Half Year Ended 31 Dec 2006 \$'000	Half Year Ended 31 Dec 2005 \$'000
Continuing operations			
Revenues	4(a) (i)	205,686	209,171
Cost of goods sold		(162,175)	(166,892)
Other income	4(a) (ii)	243	745
Distribution expenses		(15,311)	(13,766)
Marketing expenses		(9,963)	(9,687)
Occupancy expenses		(2,534)	(1,343)
Administrative expenses		(8,790)	(9,003)
Profit from continuing operations before income tax and finance costs		7,156	9,225
Finance costs	4(b) (ii)	(4,247)	(4,767)
Profit from continuing operating before income tax		2,909	4,458
Income tax charge attributable to profit	5	(2,884)	(1,067)
Profit after income tax from continuing operations		25	3,391
Discontinued operation			
Profit / (loss) after income tax from discontinued operation	6	28	(6,916)
Profit / (loss) for the period		53	(3,525)
Net profit attributable to minority interests		(225)	(240)
Loss attributable to members of the parent		(172)	(3,765)
Earnings per share (cents per share)			
- Basic, for loss for the year attributable to ordinary equity holders of the parent		(0.2)	(3.8)
- Basic, for profit / (loss) from continuing operations attributable to ordinary equity holders of the parent		(0.2)	3.2
- Diluted, for loss for the year attributable to ordinary equity holders of the parent		(0.2)	(3.7)
- Diluted, for profit / (loss) from continuing operations attributable to ordinary equity holders of the parent		(0.2)	3.1
Dividends per share (cents per share)	7	1.5	3.9

The above Income Statement should be read in conjunction with the accompanying Notes.



**Consolidated Balance Sheet
As at 31 December 2006**

	Notes	31 Dec 2006 \$'000	30 June 2006 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents		1,088	1,041
Trade and other receivables		76,790	65,830
Inventories		140,256	89,929
Other		2,032	1,449
Derivatives		448	-
		220,614	158,249
Non-current assets classified as held for sale	6	3,102	10,160
Total Current Assets		223,716	168,409
Non-current Assets			
Deferred income tax asset		2,778	3,394
Property, plant and equipment		30,591	28,920
Intangibles		5,095	5,671
Total Non-current Assets		38,464	37,985
Total Assets		262,180	206,394
LIABILITIES			
Current Liabilities			
Trade and other payables		86,582	53,644
Interest bearing loans and borrowings		1,586	1,413
Income tax payable		948	37
Provisions		5,604	4,989
Derivatives		3,697	-
		98,417	60,083
Liabilities directly associated with non-current assets classified as held for sale	6	802	3,333
Total Current Liabilities		99,219	63,416
Non-current Liabilities			
Interest bearing loans and borrowings		107,479	84,046
Provisions		634	855
Total Non-current Liabilities		108,113	84,901
Total Liabilities		207,332	148,317
NET ASSETS		54,848	58,077
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	9	39,673	38,168
Retained earnings		15,567	19,586
Other reserves		(2,619)	(1,680)
Parent interests		52,621	56,074
Minority interests		2,227	2,003
TOTAL EQUITY		54,848	58,077

The above Balance Sheet should be read in conjunction with the accompanying Notes.



**Consolidated Cash Flow Statement
For the Half-Year ended 31 December 2006**

Notes	Half Year Ended 31 Dec 2006 \$'000	Half Year Ended 31 Dec 2005 \$'000
Cash flows from operating activities		
Receipts from customers	224,935	252,908
Payments to suppliers and employees	(235,454)	(227,105)
Interest received	280	115
Borrowing costs	(4,197)	(4,751)
Income tax paid	(2,094)	(2,723)
Net cash (outflow) / inflow from operating activities	(16,530)	18,444
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	372	253
Payments for property, plant and equipment	(4,954)	(2,944)
Net cash outflow from investing activities	(4,582)	(2,691)
Cash flows from financing activities		
Proceeds from (repayment of) borrowings	24,406	(12,760)
Equity dividend paid	(2,448)	(3,340)
Repayment of finance lease liabilities	(799)	(951)
Net cash inflow / (outflow) from financing activities	21,159	(17,051)
Net increase / (decrease) in cash and cash equivalents	47	(1,298)
Cash and cash equivalents at beginning of the period	1,041	1,930
Cash and cash equivalents at end of period	1,088	632

The above Cash Flow Statement should be read in conjunction with the accompanying Notes.



Appendix 4D – Financial Report for the
Half-Year ended 31 December 2006

**Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2006**

	Attributable to equity holders of the Company					Total \$'000	Minority interest \$'000	Total equity \$'000
	Issued capital \$'000	Employee equity benefits reserve \$'000	Net gains on cash flow hedges \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000			
At 1 July 2006	38,168	359	-	(2,039)	19,586	56,074	2,003	58,077
Profit / (loss) for the period	-	-	-	-	(172)	(172)	225	53
Total recognised income and expense for the year	-	-	-	-	(172)	(172)	225	53
Share-based payment grants	-	180	-	-	-	180	-	180
Loss on translation of overseas controlled entities	-	-	-	(9)	-	(9)	(1)	(10)
Net gains on cash flow hedges	-	-	(1,110)	-	-	(1,110)	-	(1,110)
Dividend reinvestment plan	1,505	-	-	-	(1,505)	-	-	-
Dividend paid	-	-	-	-	(2,448)	(2,448)	-	(2,448)
Other	-	-	-	-	106	106	-	106
At 31 December 2006	39,673	539	(1,110)	(2,048)	15,567	52,621	2,227	54,848

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.



Appendix 4D – Financial Report for the
Half-Year ended 31 December 2006

**Consolidated Statement of Changes in Equity
For the Half-Year ended 31 December 2005**

	<i>Attributable to equity holders of the Company</i>					Total \$'000	Minority interest \$'000	Total equity \$'000
	Issued capital \$'000	Employee equity benefits reserve \$'000	Net gains on cash flow hedges \$'000	Foreign currency translation reserve \$'000	Retained earnings \$'000			
At 1 July 2005	34,996	219	-	(375)	32,895	67,735	1,598	69,333
Loss for the period	-	-	-	-	(3,765)	(3,765)	240	(3,525)
Total recognised income and expense for the year	-	-	-	-	(3,765)	(3,765)	240	(3,525)
Share-based payment grants	-	50	-	-	-	50	-	50
Gain / (loss) on translation of overseas controlled entities	-	-	-	415	-	415	(68)	347
Net gains on cash flow hedges	-	-	75	-	-	75	-	75
Dividend reinvestment plan	1,684	-	-	-	(1,684)	-	-	-
Dividend paid	-	-	-	-	(3,340)	(3,340)	-	(3,340)
At 31 December 2005	36,680	269	75	40	24,106	61,170	1,770	62,940

The above Statement of Changes in Equity should be read in conjunction with the accompanying Notes.



1. CORPORATE INFORMATION

The financial report of Atlas Group Holdings Limited (the Company) for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the Directors on 28 February 2007. Atlas Group Holdings Limited is a company incorporated in Australia and limited by shares, which are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the annual Financial Report of Atlas Group Holdings Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by Atlas Group Holdings Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with its continuous disclosure obligations arising under the Corporations Act 2001.

a. Basis of Preparation

The half-year financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards, including AASB 134 “Interim Financial Reporting” and other mandatory professional reporting requirements. The half-year financial report has been prepared on a historical cost basis, except for assets and liabilities classified as held for sale which are measured at fair value less costs to sell.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000) unless otherwise stated under the option available to the company under ASIC Class Order 98/0100. The company is an entity to which the class order applies.

For the purposes of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

b. Significant accounting policies

The half year financial report has been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006, except for those mentioned in Note 2(d).

c. Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of Atlas Group Holdings Limited and its controlled entities as at 31 December 2006 (“the Group”). The financial statements of the controlled entities are prepared for the same reporting period as the parent company, using consistent accounting policies.

Controlled entities are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Basis of consolidation (continued)

All intra-group balances, transactions, income, expenses, profits and losses resulting from intra-group transactions are eliminated in full.

Minority interests represent the portion of profit or loss and net assets in controlled entities, not held by the Group and are presented separately in the consolidated Income Statement and within equity in the consolidated Balance Sheet, separately from parent shareholders' equity.

d. Changes in Accounting Policies

(i) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are taken directly to net profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognised asset or liability;
- cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a forecast transaction; or
- hedges of a net investment in a foreign operation.

A hedge of the foreign currency risk of a firm commitment is accounted for as a cash flow hedge.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

Hedges which meet the strict criteria for hedge accounting are accounted for as follows:



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Changes in Accounting Policies (continued)

(i) Derivative financial instruments and hedging (continued)

Fair value hedges

Fair value hedges are hedges of the Group's exposure to changes in the fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative is remeasured at fair value and gains and losses from both are taken to profit or loss.

For fair value hedges relating to items carried at amortised cost, the adjustment to carrying value is amortised through profit or loss over the remaining term to maturity.

When an unrecognised firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss. The changes in the fair value of the hedging instrument are also recognised in profit or loss.

The Group discontinues fair value hedge accounting if the hedging instrument expires or is sold, terminated or exercised, the hedge no longer meets the criteria for hedge accounting or the Group revokes the designation. Any adjustment to the carrying amount of a hedged financial instrument for which the effective interest method is used is amortised to profit or loss. Amortisation may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

Cash Flow Hedges

Cash flow hedges are a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, while the ineffective portion is recognised in profit or loss.

Amounts taken to equity are transferred to the income statement when the hedged transaction affects profit or loss, such as when hedged financial income or financial expense is recognised or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

If the forecast transaction is no longer expected to occur, amounts previously recognised in equity are transferred to profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognised in equity remain in equity until the forecast transaction occurs. If the related transaction is not expected to occur, the amount is taken to profit or loss.

Hedges of a net investment

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a way similar to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognised directly in equity while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised directly in equity is transferred to profit or loss.



3. SEGMENT INFORMATION – PRIMARY SEGMENT

The major products and services from which segments derive revenue are:

Segments	Products and Services
Distribution	Distribution of stainless steel flat products, stainless steel sections, quenched and tempered steel plate, aluminium flat products, tubular products and engineering steels.
Manufacturing	Manufacture of quenched and tempered steel plate, stainless and mild steel tubular products and automotive exhaust components.

	<i>Continuing Operations</i>			Total \$'000	<i>Discontinued Operation Southward (note 6)</i>	
	Distribution \$'000	Manufacturing \$'000	Eliminations / Unallocated \$'000		\$'000	Total \$'000
31 December 2006						
Segment revenue	156,956	59,630	(10,900)	205,686	4,717	210,403
Segment result	(1,646)	8,835	(4,280)	2,909	(4)	2,905
31 December 2005						
Segment revenue	162,894	57,258	(10,981)	209,171	7,101	216,272
Segment result	(2,425)	9,829	(2,946)	4,458	(7,104)	(2,646)



	Half-Year Ended 31 Dec 2006 \$'000	Half-Year Ended 31 Dec 2005 \$'000
4. REVENUE, INCOME & EXPENSES		
(a) Revenue and Income from Continuing Operations		
(i) Revenue		
Sale of goods	204,037	208,307
Interest – other parties	281	115
Rent revenue	37	3
Rendering of services	1,331	746
Total revenues from continuing operations	205,686	209,171
(ii) Other income		
Management fee	35	-
Other income	208	745
Total other income	243	745
(b) Expenses and Losses / (Gains)		
(i) Expenses		
Depreciation of non-current assets		
Buildings	136	133
Plant and equipment	1,986	2,767
Total depreciation expenses	2,122	2,900
Rental – operating leases	4,488	3,266
Decrement in value of inventories	116	1,080
Expense of share-based payments	180	50
Bad and doubtful debts – trade debtors	31	(310)
(ii) Finance costs		
Interest expense	4,160	4,627
Other borrowing costs	87	140
Total finance costs	4,247	4,767
(iii) Losses / (gains)		
Loss on disposal of plant and equipment	1	8
Foreign exchange losses / (gains)	(673)	299



5. DE-RECOGNITION OF FUTURE INCOME TAX BENEFIT ASSET

As set out in the review of operations, following the poor first half performance, the Board was required to re-assess the appropriateness of the recoverability of its future income tax benefit accounts at 31 December 2006. The Board concluded that it was unable to meet the probability requirements of AASB 112: “Income Taxes” and accordingly it wrote off \$2.5 million of future income tax benefits from its balance sheet.

6. DISCONTINUED OPERATIONS

In the previous year Atlas Group Holdings Limited resolved to close the automotive operations of Southward Engineering Co Limited (“Southward”), a company that manufactures automotive and tubular products in New Zealand.

The automotive business of Southward was viewed as a non-core operation following a strategic review of the Group’s activities. Manufacturing of automotive parts at the Wellington plant ceased in June 2006 and the process of realisation of assets is nearing completion. The closure process is anticipated to be completed by 30 June 2007.

Arising from the review of New Zealand as discussed within the “Distribution” section of the Directors’ Report, the vacant premises in Wellington will be used for the tube mill. As a consequence the remaining closure provision was reviewed and it was determined that \$1.1m could be released. This release is included in the half year result.

Half-Year Ended 31 Dec 2006 \$’000	Half-Year Ended 31 Dec 2005 \$’000
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The results of the automotive operations of Southward for the period have been presented below:

Revenue	4,717	7,101
Expenses	(4,712)	(7,667)
Gross profit / (loss)	5	(566)
Finance costs	(9)	-
Pre-tax loss	(4)	(566)
Loss recognised on the remeasurement to fair value	-	(6,538)
Loss before tax from discontinued operation	(4)	(7,104)
Income tax benefit:		
- related to pre-tax loss	32	188
Net profit / (loss) attributable to discontinued operation	28	(6,916)

	31 Dec 2006 \$'000	
6. DISCONTINUED OPERATIONS (continued)		
The major classes of assets and liabilities of the automotive operations of Southward measured at the lower of carrying amount and fair value less costs to sell as at 31 December 2006 are as follows:		
<i>Assets</i>		
Plant & equipment	503	
Trade and other receivables	2,585	
Pre-payments	14	
Non-current assets classified as held for sale	<u>3,102</u>	
<i>Liabilities</i>		
Trade creditors and payables	208	
Provisions	594	
Liabilities directly associated with non-current assets classified as held for sale	<u>802</u>	
Net assets attributable to discontinued operations	<u><u>2,300</u></u>	
	Half-Year Ended 31 Dec 2006 \$'000	Half-Year Ended 31 Dec 2005 \$'000
The net cash flows recovered / (incurred) by the automotive operations of Southward are as follows:		
Operating	6,547	(242)
Investing	-	(21)
Financing	-	263
	<u>6,547</u>	<u>-</u>
Earnings per share (cents) per share:		
Basic from discontinued operation	0.0	(7.0)
Diluted from discontinued operation	0.0	(6.8)
7. DIVIDENDS PAID AND PROPOSED		
Dividends paid (fully franked at the 30% tax rate)		
Final dividend at 3.9 cents per share (2005: 5.1 cents)	3,953	5,023
Since the end of the period, the Directors declared the following dividends:		
Dividends proposed and not recognised as a liability (unfranked)		
Interim dividend at 1.5 cents per share (2005: 3.9 cents fully franked)	1,545	3,900



8. CONTINGENCIES

Supplier Commitments

The Group has made commitments with suppliers on behalf of certain customers that it may not be able to fully recover without litigation. The Group has been advised by its lawyers that it is possible, but not probable, that an action to recover these amounts may not be successful. As litigation has not been commenced, it is not practicable to state the timing or amount of any payment.

9. CONTRIBUTED EQUITY

Ordinary shares (i)

31 Dec 2006 \$'000	30 June 2006 \$'000
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39,673	38,168
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(i) Ordinary shares

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Number of Shares	\$'000
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Movement in ordinary shares on issue

At 1 July 2006

101,368,382	38,168
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Dividend reinvestment plan

1,636,146	1,505
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At 31 December 2006

103,004,528	39,673
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10. EVENTS AFTER THE BALANCE SHEET DATE

On 24 January 2007 subsequent to balance date, Atlas announced that the company's Altona-based wire mills will cease production in the first half of 2007. Any costs associated with this closure are planned to be offset by the realisation of the wire mill assets and as such it is anticipated that the impact on the Income Statement year will not be material.

COMPLIANCE STATEMENT:

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

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

2. The entity has a formally constituted audit committee.

Directors' Declaration

In accordance with a resolution of the Directors of Atlas Group Holdings Limited, I state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board



Kym Godson
Managing Director
28 February 2007

Independent Auditor's Review Report

To the members of Atlas Group Holdings Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of Atlas Group Holdings Limited and the entities it controlled during the half-year, which comprises the balance sheet as at 31 December 2006, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* and other mandatory financial reporting requirements in Australia. As the auditor of Atlas Group Holdings Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

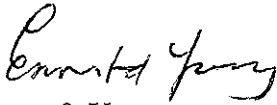
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Atlas Group Holdings Limited and the entities it controlled during the half-year, is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



Ivan Wingreen
Partner
Melbourne
28 February 2007