



ATLAS GROUP HOLDINGS LIMITED
A.C.N. 098 674 545
Appendix 4E – Preliminary Final Report
Financial year ended 30 June 2008
Results for announcement to the market

				FY08 \$'000	FY07 \$'000
Continuing operations					
Revenue	Up	15.0%	to	128,114	111,419
Profit before tax from continuing operations	Up	97.3%	to	23,639	11,980
Profit after tax from continuing operations	Up	87.9%	to	15,323	8,153
Discontinued operations					
Revenue	Up	2.3%	to	329,071	321,676
Loss before tax from discontinued operations	Down	(787.9%)	to	(86,929)	(9,790)
Loss after tax from discontinued operations	Down	(752.7%)	to	(78,578)	(9,215)
<hr/>					
Profit/(loss) attributable to members	Down	(4280.3%)	to	(63,908)	(1,459)

Dividends	Amount per share	Franked amount per share	Tax rate for franking
Final dividend	N/A	N/A	N/A
Previous corresponding period	1.5 cents	0 cents	N/A
Record date for determining entitlements to the dividend		N/A	

	FY08	FY07
Other		
Net tangible asset backing per share	(14.3)cps	43.4cps

Explanation of Results

Please refer to the attached commentary for an explanation of the results. Note that the loss from discontinued operations in FY08 has been impacted by the restatement of net asset carrying values of the Distribution Group to their fair value less costs to sell pending sale.

Highlights

1. Bisalloy continues excellent performance with record production levels and exceeding profit expectations.
2. Distribution Group delivers improved margins in H2.
3. Distribution Group achieves operating and administrative expenses reductions as planned and announced at the end of H1. Full year Distribution Group EBIT loss contained to \$17.0m in line with 24 June 2008 profit upgrade announcement.
4. Atlas Group returns to positive EBIT delivering a full year result of \$6.2m (before impairment charges), exceeding 24 June 2008 profit forecast of \$5m.
5. On 24 June 2008 the Group announced it had received an offer to acquire its distribution businesses. The offer is currently subject to legal due diligence, formal documentation, and final financing approval. Shareholder approval will also be sought as the sale is to a substantial shareholder of the Company. If these conditions are satisfied, the sale is expected to complete at the end of October 2008.
6. This preliminary report has been prepared on the basis that the sale of the distribution business will complete. As a result, the Group has applied applicable Australian Accounting Standards to classify the distribution business as held for sale and has valued the carrying amount of the assets within the disposal group at their fair value less costs to sell. As a result, the Group has recognised impairment charges totalling \$54.9m.

Results Summary

Results Summary – Atlas Group Holdings Limited results for the full year ended 30 June 2008 (FY08) before reclassification of Distribution business and impairment charges			
\$'000	FY08	FY07	%age Change
Group Statutory Reporting Basis			
Revenues	457,186	423,247	8.0%
Earnings before interest and tax (“EBIT”) and impairment charges	6,226	11,868	-47.5%
Net financing costs	(14,567)	(9,409)	54.8%
Income tax expense	35	(3,521)	-101.0%
Net (loss)/profit after tax (“NPAT”)	(8,306)	(1,062)	682.1%
Minority interests	(653)	(397)	64.5%
NPAT attributable to members of the holding company	(8,959)	(1,459)	514.1%
EPS (cents)	(8.5c)	(1.4c)	507.1%

Review of Operations

As previously reported to shareholders in last year's annual report and the H1 release to the ASX on 28 February 2008, FY08 was a year of great volatility in steel markets. Nickel prices, the key driver of stainless steel prices, peaked at US\$54,025 per tonne toward the end of 2007 and then fell to just above \$17,000 per tonne by June 2008. The fall in nickel prices has had a major negative impact on the profitability of the Distribution Group throughout FY08.

Carbon steel prices have also seen great volatility with significant increases in plate prices since March 2008 impacting the cost of Bisalloy greenfeed.

Despite the increased volatility, the Atlas Group has been able to increase revenue by 8% over last year and as expected, return to profitability after interest and tax in the last months of FY08. The trend of improvement has continued into FY09.

The Bisalloy Group had a record year for tonnes produced and profitability. Bisalloy's performance is expected to continue through FY09 and improve in FY10 when the business plans further output increases off the back of additional targeted capital expenditure and shift changes.

The restructure of the Distribution Group has delivered the expected returns. H2 delivered a normalized EBIT of \$10.4m compared to \$7.7m for the previous corresponding period. Costs have been reduced to the levels sought and are controlled. Margins continue their recovery and as previously announced we continue to expect the business to return to full historical margin during the first quarter of FY09.

EBIT on a statutory basis for the full year was \$6.2m, \$1.2m greater than forecast in the profit upgrade released to the market on 24 June 2008. Normalised EBIT, after accounting for one off costs incurred during the year, was \$8.5m.

A reconciliation of Statutory EBIT to Normalised EBIT is set out below:

Results Summary – Atlas Group Holdings Limited results for the full year ended 30 June 2008 before reclassification of Distribution business and impairment charges						
\$'000	FY08 H1	FY08 H2	FY08	FY07 H1	FY07 H2	FY07
Normalised Reporting Basis						
Revenues	238,135	219,050	457,185	203,121	220,126	423,247
EBIT	(3,965)	10,191	6,226	7,155	4,713	11,868
Once off costs						
Redundancies	1,243	339	1,582	-	1,002	1,002
Project debtor provisions from prior periods	646	(646)	-	1,500	(1,136)	364
Costs relating to possible ownership transaction	185	528	713	-	-	-
Provision for insurance deductible relating to 2003	-	-	-	-	200	200
Technip settlement	-	-	-	-	487	487
CDC restructuring costs	-	-	-	-	378	378
Non-cash FX hedge fair value adjustment	-	-	-	-	952	952
New Zealand restructuring, write offs and provisions	-	-	-	-	1,098	1,098
Total once off costs	2,074	221	2,295	1,500	2,981	4,481
EBIT Normalised	(1,891)	10,412	8,521	8,655	7,694	16,349

Normalised EBIT by segment follows:

Results by division for the full year ended 30 June 2008 before reclassification of Distribution business and impairment charges				
\$'000	Distribution	Bisalloy	Unallocated	FY08
Revenues	329,071	143,304	42	472,417
Inter-segment sales	-	(15,232)	-	(15,232)
Total segment revenue	329,071	128,072	42	457,185
EBIT	(17,004)	28,529	(5,299)	6,226
Once off costs				
Redundancies	1,582	-	-	1,582
Costs relating to possible ownership transaction	713	-	-	713
Total once off costs	2,295	-	-	2,295
EBIT Normalised	(14,709)	28,529	(5,299)	8,521

Bisalloy Group

The Bisalloy Group comprises Bisalloy Steels in Australia and the joint venture distribution businesses in Thailand and Indonesia.

Bisalloy Steels is Australia's only processor of Quench and Tempered (Q&T) steel plate with high-tensile and abrasion resistant alloyed steel plates, known as Bisplate®, being produced at the Unanderra, N.S.W. facility. Bisplate® is distributed in Australia through a network of distributors, through Joint Venture businesses in Indonesia and Thailand and through agents in at least a dozen countries worldwide.

Safety is a key focus for the business with an aim of zero harm through safety systems that involve and challenge all employees. Every person at Bisalloy is empowered to **Stop** and **Think** about what their role involves, **Assess** any risks that may emerge and then proactively **Respond** to those risks with appropriate actions. The **STAR** program has delivered significantly improved Occupational Health & Safety, Quality and Environmental outcomes in the past year.

Bisalloy Steels Australia had an excellent year with strong demand across all markets delivering record production, record sales revenue and record profit. The domestic Q&T market continues to be underpinned by mining activity particularly in Western Australia, Queensland and South Australia, not only from new capital investment but also from maintenance of existing plant and equipment. This consistent demand is forecast to continue for several years. Export opportunities have reflected a general shortage of Q&T capacity worldwide and as such export sales have made a significant contribution to profitability. Development and approval of armour plate grades have continued with Bisalloy Steels now recognised as a regional supplier to this expanding application.

Recent investments in additional production equipment have significantly increased production efficiency. Further expansion plans are currently being implemented to gain maximum utilisation of the production assets by extending operations to 24/7. The sourcing of feed plate from several overseas suppliers is being used to meet the demands of the current order mix, support expansion requirements and defray the rising costs of domestic feed supplies.

Bisalloy Steels continues to focus on strategic growth. As such, negotiations are currently underway with a major steel producer in China to jointly develop a Heat Treatment Centre to produce Q&T plate for the rapidly expanding Chinese market.

The Bisalloy Joint Venture businesses in Indonesia and Thailand have had particularly strong sales results and associated profit contributions this year. Both businesses finished the

financial year well ahead of operating plan in terms of tonnes, sales revenue and margins. Diversification of their product offerings, which took place over recent years, is now combining with Q&T sales to deliver strong business growth. Additional local funding sources have been obtained during the year to support the strategic growth of these businesses. Both businesses are now pursuing opportunities to add value in the supply chain to support margin growth in coming years.

Distribution Group

The Distribution Group comprises fourteen regional distribution centres and satellite warehouse throughout Australia and New Zealand. It supplies specialty metals solutions and engineering steels just-in-time to fabricators, original equipment manufacturers, defence contractors and the food, mining, oil & gas and chemical industries.

FY08 saw significant effort focused on delivering an operational turnaround in the business. Operating & Administrative costs were contained to targeted levels as margins and sales tonnages improved on the back of better inventory mix and selling activities. Encouragingly, there were further successes in the projects area with successful tenders into the rail, oil & gas and water infrastructure sectors. The business is now trading at breakeven and management is confident of continued improvement of the operations as initiatives around management of costs, margins and inventory mix gain greater traction. Initiatives to continue the turnaround over the next year and drive business performance include:

- Changes to the supply chain to increase stockturns by 20% and lower operating inventories to under \$100 million.
- Ramping up of specialised resources committed to driving project sales to further capture value from the resources boom.
- A strategic review of costs associated with centrally provided "Group Services" to "right-size" the resource to suit the newly created standalone business.
- A strategic review of the warehouse footprint required to meet future service requirements.
- Rationalisation of suppliers to provide greater leverage with overseas mills and stockists.

Offer from Balron and Valuation of Disposal Group Held for Sale

As announced on 24 June 2008, the company has received an offer from a consortium of investors, including Balron Nominees Pty Limited ("Balron"), to acquire the Distribution Group for approximately \$90 million, subject to adjustment for changes to net assets at completion. Atlas Distribution comprises the Company's Australian and New Zealand distribution businesses, Atlas Metal Processors, Durinox stainless steel reinforcing bars, Schumag wire drawing, New Zealand Tube Mills and centralised support functions.

The sale price represents a discount of approximately \$50m from Net Assets and as such the Company is required under Australian Accounting Standards to reclassify the Net Assets of the Distribution Group as a "Disposal Group Held for Sale" and value the net assets at their fair value less costs to sell as determined by the sale proposal, rather than their value in use.

The restatement of net assets to fair value results in an impairment charge, including write-off of goodwill, of \$54.9m being taken against profit for the year.

Finance

As previously advised, the Company's need to restructure the Distribution Group and manage unprecedented volatility in stainless and carbon steel prices at the same time materially impacted profitability and cash flow, particularly in the first half of FY08.

During the year, the Group received significant support from the Company's principal financier, GE Commercial, and suppliers to meet this challenge. At the Company's initiation, the GE Commercial facility was renegotiated such that:

- The facility was increased by \$25m to \$150m and extended to 2010;
- Certain financial covenants were re-based to meet the needs of the business as the turnaround project progressed.

Borrowings fell by \$12.0m from \$144.8m at 30 June 2007 to \$132.8m at 30 June 2008 due to the company returning to profitability in H2 and tighter control of working capital.

The proposed sale of the Distribution Group will result in the Company's total borrowings being reduced by approximately \$90m. It is anticipated that the Company will be left with a residual debt of approximately \$45m following the transaction which will require a facility based on cash flow rather than collateralised borrowings. The transaction means the existing loan with GE therefore must be restated as a current liability.

Dividend

No dividend has been declared by the Board for the year.

**Consolidated Income Statement
Year ended 30 June 2008**

	Notes	Year ended 30 June 2008 \$'000	Year ended 30 June 2007 \$'000
Continuing operations			
Revenue			
Sales of goods		127,631	111,277
Rendering of services		422	132
Finance revenue	3(a)	61	10
		128,114	111,419
Cost of sales	3(c)	(91,949)	(87,871)
Gross profit		36,165	23,548
Other income		157	179
Distribution expenses		(809)	(981)
Marketing expenses		(1,658)	(1,474)
Occupancy expenses		(2,801)	(2,300)
Administrative expenses		(7,323)	(6,944)
		23,731	12,028
Profit from continuing operations before tax, finance costs		23,731	12,028
Finance costs	3(b)	(92)	(48)
		23,639	11,980
Profit from continuing operations before income tax		23,639	11,980
Income tax expense		(8,316)	(3,827)
		15,323	8,153
Profit after tax from continuing operations		15,323	8,153
Discontinued operations			
Loss after tax from discontinued operations	4,5	(78,578)	(9,215)
		(63,255)	(1,062)
Net loss for the period		(63,255)	(1,062)
<u>Attributable to:</u>			
Minority interest		653	397
Members of the Company		(63,908)	(1,459)
Earnings per share (cents per share)			
	7		
- basic for profit/(loss) for the year		(61.3)	(1.4)
- basic for profit/(loss) from continuing operations		14.7	8.0
- diluted for profit/(loss) for the year		(61.3)	(1.4)
- diluted for profit/(loss) from continuing operations		14.5	7.8
- dividends per share (fully franked at 30% tax rate)		-	-
- dividends per share (unfranked)		-	3.0

**Consolidated Balance Sheet
30 June 2008**

	Notes	30 June 2008 \$'000	30 June 2007 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	8	2,381	2,986
Trade and other receivables		31,577	85,933
Inventories		11,709	154,066
Other current assets		2,175	1,973
Income tax receivable		1,275	1,460
		49,117	246,418
Assets of disposal groups classified as held for sale	4,5	146,109	2,895
Total current assets		195,226	249,313
Non current assets			
Deferred tax asset		802	1,868
Property, plant and equipment		10,771	28,931
Intangible assets		-	6,318
Other financial assets		24	-
Total non current assets		11,597	37,117
Total assets		206,823	286,430
LIABILITIES			
Current liabilities			
Trade and other payables		21,826	75,999
Interest bearing loans and borrowings		130,707	17,790
Income tax payable		697	649
Provisions		1,703	5,849
Other finance liabilities		-	2,305
		154,933	102,592
Liabilities directly associated with assets classified as held for sale	5	62,379	-
Total current liabilities		217,312	102,592
Non current liabilities			
Trade and other payables		1,260	-
Interest bearing loans and borrowings		-	127,045
Provisions		320	3,148
Total non current liabilities		1,580	130,193
Total liabilities		218,892	232,785
NET ASSETS		(12,069)	53,645
EQUITY			
Equity attributable to equity holders of the parent			
Contributed equity	6	40,933	40,205
Retained earnings		(52,812)	12,629
Other reserves		(3,122)	(1,517)
Parent interests		(15,001)	51,317
Minority interests		2,932	2,328
TOTAL EQUITY		(12,069)	53,645

**Consolidated Cash Flow Statement
Year ended 30 June 2008**

	Notes	Year ended 30 June 2008 \$'000	Year ended 30 June 2007 \$'000
Cash flows from operating activities			
Receipts from customers		457,668	458,819
Payments to suppliers and employees		(430,844)	(496,703)
Borrowing costs		(14,567)	(9,409)
Income tax paid		(961)	(1,506)
Net cash inflow/(outflow) from operating activities	8	11,296	(48,799)
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		4,310	1,816
Payments for property, plant and equipment		(3,198)	(5,233)
Payments for intangible assets		(95)	(1,754)
Net cash inflow/(outflow) from investing activities		1,017	(5,171)
Cash flows from financing activities			
Payment of finance lease liabilities		(1,651)	(1,588)
(Repayment) / proceeds of borrowings		(10,432)	60,964
Equity dividend paid		(808)	(3,461)
Net cash (outflow)/inflow from financing activities		(12,891)	55,915
Net (decrease)/increase in cash and cash equivalents		(578)	1,945
Cash and cash equivalents at the beginning of year		2,986	1,041
Cash and cash equivalents the end of year	8	2,408	2,986

Consolidated Statement of Changes in Equity
Year ended 30 June 2008

	Attributable to equity holders of the Company					Total	Minority interest	Total equity
	Issued capital	Employee equity benefits reserve	Net loss / (gain) on cash flow hedges	Foreign currency translation reserve	Retained earnings			
	\$'000	\$'000	\$'000	\$'000	\$'000			
At 1 July 2006	38,168	359	-	(2,039)	19,586	56,074	2,003	58,077
(Loss)/Gain on translation of overseas controlled entities	-	-	-	(245)	-	(245)	(72)	(317)
Net income recognised in equity	-	-	-	(245)	-	(245)	(72)	(317)
Profit / (Loss) for the period	-	-	-	-	(1,459)	(1,459)	397	(1,062)
Total recognised income and expenses for the year	-	-	-	(245)	(1,459)	(1,704)	325	(1,379)
Share-based payments	-	69	-	-	-	69	-	69
Net gains on cash flow hedges	-	-	339	-	-	339	-	339
Dividend reinvestment plan	2,037	-	-	-	(2,037)	-	-	-
Payment of dividend	-	-	-	-	(3,461)	(3,461)	-	(3,461)
At 30 June 2007	40,205	428	339	(2,284)	12,629	51,317	2,328	53,645
Gain/(loss) on translation of overseas controlled entities	-	-	-	(1,296)	-	(1,296)	(49)	(1,345)
Net income recognised in equity	-	-	-	(1,296)	-	(1,296)	(49)	(1,345)
Profit / (Loss) for the period	-	-	-	-	(63,908)	(63,908)	653	(63,255)
Total recognised income and expenses for the year	-	-	-	(1,296)	(63,908)	(65,204)	604	(64,600)
Share-based payments	-	81	-	-	-	81	-	81
Reversal net gains on cash flow hedges	-	-	(339)	-	-	(339)	-	(339)
Net loss on cash flow hedges current year	-	-	(51)	-	-	(51)	-	(51)
Dividend reinvestment plan	725	-	-	-	(725)	-	-	-
Issue of share capital	3	-	-	-	-	3	-	3
Payment of dividend	-	-	-	-	(808)	(808)	-	(808)
At 30 June 2008	40,933	509	(51)	(3,580)	(52,812)	(15,001)	2,932	(12,069)

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

1. Summary of significant accounting policies

a. Basis of preparation

This Appendix 4E preliminary final report (Appendix 4E) for the year ended 30 June 2008 has been prepared in accordance with the ASX Listing Rules.

The financial information contained herein has been prepared in accordance with the historical cost convention, except for assets and liabilities classified as held for sale, which are measured at fair value less costs to sell and derivative financial instruments which have been measured at fair value.

The Appendix 4E does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the Appendix 4E be read in conjunction with the annual report for the year ended 30 June 2007 and considered together with any public announcements made by the Company during the year ended 30 June 2008 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Appendix 4E 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 98/100. The Company is an entity to which the class order applies.

Disposal group classified as held for sale

On 24 June 2008 the Group announced it had received an offer to acquire its distribution businesses. The offer is currently subject to legal due diligence, formal documentation, final financing approval, and shareholder approval. The sale is expected to complete in September 2008.

The directors are of the opinion that it is highly probable that the sale will proceed and therefore these accounts have been prepared on the basis that the distribution businesses have been reclassified as a disposal group classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations*. This disposal group also meets the definition of a discontinued operation in AASB 5.

b. Going Concern Basis

The directors believe the going concern basis is appropriate. As a result of the actions taken by management during the year under review, the business returned to profitability late in FY08 and is expected to continue to strengthen in FY09.

During the year Management completed a restructure of the Distribution division, resulting in a reduced cost base. Actions taken to reduce the cost base of the division include:

1. Australian Distribution division restructured – business now structured into three regions; sales and product management positions rationalised and duplicated back office functions eliminated.
2. Project Services division eliminated – project services activities now integrated back into Australian Distribution division; some additional provisions required to resolve issues in relation to poor project sales undertaken by previous management.
3. Supply chain reconfigured – centralised supply model substantially reconfigured; freight and personnel costs reductions effected.

4. New Zealand Distribution division restructured – Onehunga branch closed and Auckland operations now centred at East Tamaki; head count reductions implemented and sales effort restructured at New Zealand Tube Mills.

Bisalloy performed strongly with record production and record results in 2008.

In June 2008, the Company obtained a waiver from its financiers GE Commercial, for breaches in its covenants. During the year the Company also renegotiated an increased facility limit by \$25m to \$150m, with an extension of the facility out to 2010.

As part of the renegotiation the covenants were reset for the period to 30 June 2008 with a further reset for July 2008. From August 2008, the Company expects to achieve unadjusted covenants.

At 30 June 2008, the Group is in a net liability position of \$12.1 million and incurred losses of \$63.9 million for the 12 month's. Of this loss, \$54.9 million can be attributed to an impairment loss arising from the potential sale of the Group's distribution business.

On 24 June 2008, the directors announced that they have received an offer to acquire the distribution businesses of Atlas comprising:

- Australian & NZ Distribution;
- AMP, Durinox and Schumag;
- NZ Tube Mills; and
- Distribution Support.

This proposed acquisition is currently undergoing legal due diligence, formal documentation, final financing credit approval, and is subject to shareholder approval. The directors are of the opinion that this sale is likely to proceed, which will result in the continuing group reflecting the Bisalloy business. Bisalloy performed strongly and is forecasting profits before interest and tax of \$27.9 million for FY09.

Should the sale not proceed, the directors are still of the opinion that the going concern basis is appropriate. As a result of the actions taken by management during the year under review, the business returned to profitability late in FY08 and is expected to continue to strengthen in FY09.

c. Statement of compliance

The financial information contained in the Appendix 4E complies with the recognition, measurement and classification requirements of Australian Accounting Standards.

d. Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company, being Atlas Group Holdings Limited, and its subsidiaries ("the Group") as at the balance date. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

Adjustments are made to bring into line any dissimilar accounting policies that may exist. All intercompany balances and transactions, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

Minority interests represent the portion of profit or loss and net assets in subsidiaries, 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.

e. Significant accounting judgements, estimates and assumptions

Significant accounting judgements

In applying the Group's accounting policies, management have not made any significant accounting judgements which affect the amounts recognised in the financial statements.

Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of assets held for sale

As detailed in note 5, the distribution businesses have been classified as a disposal group held for sale. The carrying amount of the assets within this disposal group have been restated to fair value less costs to sell. Fair value of the disposal group has been based on the estimated sales price that will be realised for the disposal group based on negotiations to date. Costs to sell have been based on the estimated total costs and fees expected to be paid by the Group in relation to the sale of the disposal group.

In accordance with AASB 5, any impairment loss, where the fair value less costs to sell reduces the carrying value of the assets of the disposal group, has been allocated to reduce the assets of the disposal group in the following order.

- first to reduce the carrying value of any goodwill attached to the disposal group;
- then, to reduce non-current assets of the disposal group pro rata on the basis of the carrying amount of each asset; and
- then, reduce the carrying amount of current assets in order of least liquid to most liquid.

Net realisable value of inventory (not classified as part of disposal group held for sale)

The Group undertakes a detailed review of its inventory by major product category to ensure its provisions reflect inventory at the lower of cost and net realisable value. This review takes into consideration management's assessment of current and forecast market conditions, including drivers of the price of stainless steel.

Impairment of goodwill

The Group reviews goodwill for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. This requires an assessment of the recoverable amount of the cash-generating unit to which the goodwill relates.

Impairment of other non-financial assets (not classified as part of disposal group held for sale)

The Group reviews at each reporting date whether there is any indication that an asset may be impaired. If an indicator is present, the Group is required to estimate the assets recoverable amount, which is measured at the lower of its value-in-use and its fair value less costs to sell.

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees (including directors and other senior executives) by reference to the fair value at the date on which they are granted. The fair value is determined by an external valuer using a binomial model.

	Year Ending 30 June 2008 \$'000	Year Ending 30 June 2007 \$'000
2. Dividends:		
Dividends paid		
Interim 2008 - \$nil (Interim 2007 dividend at 1.5 cents per share (unfranked))	-	1,545
Final 2007 dividend at 1.5 cents per share (unfranked) (2006: dividend at 3.9 cents per share fully franked at 30% tax rate)	1,533	3,953
3. Revenues and expenses:		
(a) Finance revenue		
Bank interest receivable	61	10
(b) Finance costs		
Bank interest payable	92	48
(c) Depreciation, amortisation and costs of inventories sold included in income statement		
Depreciation and amortisation	1,199	1,033
Costs of inventories sold recognised as an expense	91,949	87,871
(d) Lease payment included in income statement		
Rental – operating leases	93	106
(e) Employee benefits expense		
Wages and salaries	7,797	6,249
Workers' compensation costs	298	696
Superannuation costs	466	362
Expense of share-based payments	81	69
	8,642	7,376

4. Discontinued operations and assets classified as held for sale in prior year:

During 2006 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.

On 24 January 2007, Atlas Group Holdings decided that the company’s Altona-based wire mills would cease production in the first half of 2007. Production was ceased on 17th May 2007.

At 30 June 2007 Property, plant and equipment to the value of \$2.7m was classified as held for sale. Only a small portion of these assets were part of and used by the discontinued operations. On reassessment, the Company has recorded the \$1.7m gain on sale of these assets as part of other income within the distribution business now classified as a disposal group held for sale.

	<i>CONSOLIDATED</i>					
	<i>2008</i>			<i>2007</i>		
	<i>Southward</i>	<i>Wiremill</i>	<i>Total</i>	<i>Southward</i>	<i>Wiremill</i>	<i>Total</i>
The results of the discontinued operations for the period are presented below	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Revenue	-	-	-	4,893	4,954	9,847
Expenses	(57)	-	(57)	(4,473)	(5,742)	(10,215)
Gross profit/(loss)	(57)	-	(57)	420	(788)	(368)
Finance income/(expense)	-	-	-	(9)	-	(9)
Pre-tax profit/(loss)	(57)	-	(57)	411	(788)	(377)
Profit/(loss) recognised on the remeasurement to fair value	-	-	-	-	-	-
Profit/(loss) before tax from discontinued operation	(57)	-	(57)	411	(788)	(377)
Income tax (charge)/benefit: - related to pre-tax loss	-	-	-	32	237	269
Net profit/(loss) attributable to discontinued operation	(57)	-	(57)	443	(551)	(108)

4. Discontinued operations and assets classified as held for sale in prior year: (continued)		
	Year Ended 30 June 2008 \$'000	Year Ended 30 June 2007 \$'000
The major classes of assets and liabilities of the discontinued operations measured at the lower of carrying amount and fair value less costs to sell are as follows:		
<i>SOUTHWARD</i>		
<i>Assets</i>		
Plant & equipment	-	51
Trade and other receivables	-	140
Net assets attributable to discontinued operations	-	191
 <i>WIREMILL</i>		
<i>Assets</i>		
Land and Buildings	-	2,575
Plant & equipment	-	24
Trade and other receivables	-	105
Net assets attributable to discontinued operations	-	2,704
 Total net assets classified as held for sale	-	2,895
 The net cash flows incurred by the automotive operations of Southward are as follows:		
Operating	252	7,964
Investing	-	-
Intercompany Financing	-	(7,964)
Net cash inflow/(outflow)	252	-
 The net cash flows incurred by the Wiremill operations are as follows:		
Operating	44	743
Investing	-	17
Intercompany Financing	-	(760)
Net cash inflow/(outflow)	44	-

5. Disposal group classified as held for sale

On 24 June 2008 the Group announced it had received an offer to acquire its distribution businesses. The offer is currently subject to legal due diligence, formal documentation, final financing approval, and shareholder approval. The sale is expected to complete in September 2008.

The directors are of the opinion that it is probable that the sale will proceed and therefore the distribution businesses have been reclassified as a disposal group classified as held for sale in accordance with AASB 5. The disposal group also meets the definition of a discontinued operation in AASB 5.

The results of the disposal group for the period are presented below:

	Year Ended 30 June 2008 \$'000	Year Ended 30 June 2007 \$'000
Revenue	329,071	311,829
Expenses	(346,520)	(311,881)
Gross profit/(loss)	(17,449)	(52)
Finance income/(expense)	(14,475)	(9,361)
Pre-tax profit/(loss)	(31,924)	(9,413)
Loss recognised on the re-measurement to fair value less costs to sell	(54,948)	-
Profit/(loss) before tax from discontinued operation	(86,872)	(9,413)
Income tax (charge)/benefit:		
- related to pre-tax loss	8,351	306
Net profit/(loss) attributable to discontinued operation	(78,521)	(9,107)

The major classes of assets and liabilities of the disposal group measured at the lower of carrying amount and fair value less costs to sell are as follows:

	30 June 2008 Carrying Value \$'000	Impairment write down \$'000	30 June 2008 Fair Value Less Costs to Sell \$'000
<i>Assets</i>			
Cash and cash equivalents	27	-	27
Plant & equipment	16,151	(16,151)	-
Inventories	122,113	(31,147)	90,966
Intangible assets	5,525	(5,525)	-
Trade and other receivables	54,122	-	54,122
Other assets	3,119	(2,125)	994
Total assets attributable to disposal group classified as held for sale	201,057	(54,948)	146,109
<i>Liabilities</i>			
Creditors and other payables	55,430	-	55,430
Provisions	4,904	-	4,904
Interest Bearing Liabilities	2,045	-	2,045
Total liabilities directly associated with assets classified as held for sale	62,379	-	62,379

5. Disposal group classified as held for sale (continued)

	Year Ended 30 June 2008 \$'000	Year Ended 30 June 2007 \$'000
The net cash flows incurred by the disposal group are as follows:		
Operating	(9,787)	(64,500)
Investing	3,385	(2,709)
Intercompany Financing	7,834	60,848
Net cash inflow/(outflow)	1,432	(6,361)

	30 June 2008 \$'000	30 June 2007 \$'000
6. Issued capital:		
<i>Ordinary shares</i>		
<i>Issued and fully paid</i>	40,933	40,205
	Thousands	\$'000
<i>Movement in ordinary shares on issue</i>		
At 1 July 2006	101,368	38,168
Dividend reinvestment plan	2,314	2,037
At 1 July 2007	103,682	40,205
Dividend reinvestment plan	883	725
Exercise of performance rights	3	3
At end of the financial period	104,568	40,933
7. Earnings per share:		
Calculation of the following in accordance with AASB 133:		
<i>For basic and diluted earnings per share:</i>		
Profit attributable to equity holders from continuing operations	15,323	8,153
Net loss attributable to equity holders from discontinued operations	(78,578)	(9,215)
Net loss for the period	(63,255)	(1,062)
Net profit attributable to minority interest holders	653	397
Net (loss)/profit attributable to equity holders of the parent	(63,908)	(1,459)
	Thousands	Thousands
Weighted average number of ordinary shares for basic earnings per share	104,235	102,476
Effects of dilution:		
Performance rights	1,587	2,496
Adjusted weighted average number of ordinary shares for diluted earnings per share	105,822	104,972
Weighted average number of lapsed or cancelled potential ordinary shares included in diluted earnings per share	-	-

	Year Ended 30 June 2008 \$'000	Year Ended 30 June 2007 \$'000
8. Cash and cash equivalents		
Cash at bank and in hand	2,408	2,986
a. Reconciliation of cash		
For the purposes of the statements of cash flows, cash and cash equivalents comprise the following at 30 June:		
Cash at bank and in hand – continuing operations	2,381	2,986
Cash at bank and in hand – included in disposal group classified as held for sale	27	-
	<u>2,408</u>	<u>2,986</u>
b. Reconciliation of net loss after income tax to net cash flows from operations		
Net loss	(63,255)	(1,062)
Non cash items		
Impairment charge	54,948	-
Depreciation and amortisation	6,106	4,846
(Gain) / Loss on disposal of plant and equipment	(1,718)	88
Share-based payments expense	81	69
Change in operating assets and liabilities		
(Increase)/decrease in receivables & other assets	(689)	(15,721)
Decrease/(increase) in inventories	20,243	(59,827)
(Increase)/decrease in tax assets & liabilities	(826)	678
(Decrease)/increase in trade creditors	(1,523)	21,882
(Decrease)/increase in provisions	(2,071)	248
Net cash from operating activities	<u>11,296</u>	<u>(48,799)</u>
c. Non-cash financing activities		
<i>Dividend reinvestment plan</i>		
Under the terms and conditions of the dividend reinvestment plan \$725,591 (2007: \$2,036,605) of dividends were paid via the issue of 883,404 shares (2007: \$2,313,571).		
9. Commitments and contingencies		
There has been no material change to contingent assets since the last annual reporting date.		
Since the last annual reporting date, certain material changes have occurred to contingent liabilities as a result of the potential sale of the Distribution Group.		
The Company has agreed to pay the proposed purchaser of the Distribution Group a break fee totaling \$950,000 (equivalent to costs incurred by the bidding consortium) in the event:		
<ul style="list-style-type: none"> ▪ The Company breaches the covenants in respect of exclusivity of the offer given in the offer letter, ▪ The Company enters into an agreement to sell the Distribution Group before 31 December 2008 to a party other than the bidding consortium, and ▪ A takeover of the Company is, or becomes, unconditional. 		

9. Commitments and contingencies (continued)

The Company has engaged advisors to assist it with the sale of the Distribution Group. Contingent on shareholder approval of the transaction, fees totaling \$1.25m are payable.

The Company may become liable to pay pre-payment fees to its financiers totaling two percent of the facility limit (\$3.0 million) in the event:

- The company and the financier are unable to amend the existing facility agreement to accommodate the new business structure, and
- Where there is a new facility agreement:
 - The financier does not underwrite the Distribution Group purchase consortium, and
 - The financier does not finance the ongoing operations of the Company under a new facility that includes standard pre-payment fee provisions.

Compliance Statement:

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

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

2. The entity has a formally constituted audit committee.