

MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

CONDENSED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2010

MONADELPHOUS GROUP LIMITED
A.B.N. 28 008 988 547
CORPORATE DIRECTORY

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Irwin Tollman
Non-Executive Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmores
Independent Non-Executive Director

Company Secretaries

Zoran Bebic
Philip Trueman

Principal Registered Office in Australia

59 Albany Highway
Victoria Park
Western Australia 6100
Telephone: +61 8 9316 1255
Facsimile: +61 8 9316 1950
Website: www.monadelphous.com.au

Postal Address
PO Box 600
Victoria Park
Western Australia 6979

Share Registry

Computershare Investor Services Pty Ltd

Level 2, 45 St George's Terrace
Perth
Western Australia 6000
Telephone: 1300 364 961
Facsimile: +61 8 9323 2033

ASX Code

MND – Fully Paid Ordinary Shares

Bankers

National Australia Bank Limited

50 St George's Terrace
Perth
Western Australia 6000

Westpac Banking Corporation

109 St George's Terrace
Perth
Western Australia 6000

Auditors

Ernst & Young

The Ernst & Young Building
11 Mounts Bay Road
Perth
Western Australia 6000

Solicitors

Minter Ellison

Level 49, Central Park
152 St George's Terrace
Perth
Western Australia 6000

Deacons

Level 37, Bankwest Tower
108 St George's Terrace
Perth
Western Australia 6000

Mallesons Stephen Jaques

Level 10, Central Park
152 St George's Terrace
Perth
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
MBF Workforce Pty Ltd
MI & E Holdings Pty Ltd
Monadelphous PNG Ltd
Skystar Airport Services Holdings Pty Ltd
Skystar Airport Services NZ Pty Ltd
Ellavale Engineering Pty Ltd
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing)
Company Limited
Monadelphous Group Limited Employee Share Trust
KT Pty Ltd (acquired on 1 July 2010)

Your directors submit their report for the half-year ended 31 December 2010.

DIRECTORS

The names and details of the directors of the company in office during the half-year and until the date of this report are:-

Calogero Giovanni Battista Rubino	<i>Chairman</i> Appointed as Director 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 44 years experience in the construction and engineering services industry
Robert Velletri	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 31 years experience in the construction and engineering services industry
Irwin Tollman	<i>Non-Executive Director</i> Appointed 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 18 years experience in the construction and engineering services industry Retired as Executive Director on 25 July 2003 and continued as a Non-Executive Director
Peter John Dempsey	<i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 38 years experience in the construction industry
Christopher Percival Michelmore	<i>Independent Non-Executive Director</i> Appointed 1 October 2007 Civil Engineer, Fellow of the Institution of Engineers Australia Member Institution of Structural Engineers, UK 38 years experience in the construction industry

COMPANY SECRETARIES

Zoran Bebic	<i>Company Secretary and Chief Financial Officer</i> Certified Practising Accountant, 17 years experience in the construction and engineering services industry
Philip Trueman	<i>Company Secretary and General Manager, Corporate Services</i> Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 10 years experience in the construction and engineering services industry

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

Engineering Services

Monadelphous is a diversified services company operating in the resources, energy and infrastructure industry sector.

Services provided:

- Fabrication and installation of structural steel, tankage, mechanical and process equipment and piping
- Multi-disciplined construction packages including civil and electrical disciplines
- Plant commissioning
- Specialist electrical and instrumentation and installation
- Fixed plant maintenance
- Shutdown planning, management and execution
- Specialist concrete and structural maintenance
- Construction of high pressure gas pipeline and facilities

Skystar Airport Services

Provides airport ground handling services.

General

The Monadelphous Group operates from major offices in Perth and Brisbane, with regional offices in Beijing and Adelaide, and a network of workshop facilities in Kalgoorlie, Darwin, Roxby Downs, Gladstone, Hunter Valley, Mt Isa, Mackay and Townsville.

The consolidated entity's revenue is earned predominantly from the resources, energy and infrastructure industry sector.

OPERATING RESULTS

The consolidated entity's profit after providing for income tax for the half-year was \$45.520 million (2009: \$40.549 million).

DIVIDENDS PAID OR PROPOSED

A 40.0 cent fully franked interim dividend has been approved by the directors payable on 18 March 2011 (2009: 35.0 cent interim dividend). A final fully franked dividend of \$42,010,477 was paid during the period in respect of the financial year ended 30 June 2010.

REVIEW OF OPERATIONS

	Consolidated 2010 \$'000	Consolidated 2009 \$'000
Revenue from services	700,105	619,513
Profit after income tax	45,520	40,549

Monadelphous Group Limited has reported a solid financial performance with the achievement of another record sales and earnings result for the half-year ended 31 December 2010.

Sales revenue for the period was \$ 700.1 million, up 13 per cent on the previous corresponding period, net profit after tax increased 12.3 per cent to \$ 45.5 million and earnings per share rose 10.6 per cent to 52.3 cents per share.

The Board has declared an interim dividend of 40 cents per share (fully franked), an increase of 14.3 per cent on the previous corresponding period.

Revenue growth was achieved across the group's three operating divisions, with high levels of demand and significant scope growth on existing engineering construction projects. The acquisition of KT Pipeline Services and the successful establishment of the Infrastructure division in early July 2010 delivered increased exposure to the infrastructure sector and broadened the company's revenue base.

Strong operational performance and a continued focus on people and productivity resulted in the earnings before interest, tax, depreciation and amortisation (EBITDA) margin increasing to 10.6 per cent, with cash flow from operations of \$ 61.5 million representing a strong conversion rate.

The company achieved a total case injury frequency rate (TCIFR) of 6.7 incidents per million hours worked, with LTIFR improving to 0.3 incidents per million hours worked. Further safety leadership training was delivered to all managers and supervisors, through the Monadelphous Safety Leadership Program.

The value of new projects and contract extensions secured during the period was approximately \$ 450 million across all key customer markets.

Total workforce numbers increased in line with work volumes to end the reporting period at 5,742.

To enhance the company's employee retention proposition an Employee Benefits Program was launched during the period, providing all employees with access to a range of discounts for various products and services.

Monadelphous also stepped up its group-wide domestic and international recruitment campaign to attract the right people who will contribute to the company's continued success.

During the period, Monadelphous brought together more than 500 Perth-based employees, previously located in four offices, to the company's head office at 59 Albany Highway, Victoria Park, which has a Green Star environmental rating of 4.

Construction of the Monadelphous Integrated Learning Centre (MILC) was completed at the University of Western Australia. This world-class facility for engineering students replicates the industry workplace and provides an environment for project-based learning, collaboration, leadership and innovation.

Engineering Construction

The Engineering Construction division achieved record sales revenue of \$ 466.8 million, an increase of 10.7 per cent on the previous corresponding period.

The result reflects the healthy workload entering the 2010/11 financial year and strong demand and scope growth on a number of existing major construction projects. The continued strengthening of the resources and energy sectors and renewed commitments and planned investments in the iron ore, coal and LNG markets, combined with the company's continued strong service delivery, contributed to higher activity levels.

Major projects undertaken during the period included:

- Structural, mechanical, electrical and piping works associated with Rio Tinto's Brockman 4 project at Brockman in Western Australia (WA);
- Structural, mechanical and piping works associated with BHP Billiton's Rapid Growth Project 5 (RGP5) at the Yandi Hub in WA;

- Structural, mechanical, electrical and piping works for BHP Billiton Worsley Alumina's Efficiency and Growth Expansion Project at Collie in WA;
- Structural, mechanical and piping works associated with Woodside's Pluto LNG Project at Karratha in WA;
- Installation of a new automated alumina delivery system and associated infrastructure for Boyne Smelter at Gladstone in Queensland (QLD); and
- Ball Mill structural and mechanical works for MCC at Cape Preston in WA.

Monadelphous continued to invest in plant and equipment during the period. The commissioning of a number of new cranes and the development of a specialist heavy-lift team, have expanded the company's heavy-lift capability to provide on-site installation of large preassembled modules.

During the period, the division was awarded \$ 200 million in new engineering construction projects across the resources and energy sectors.

Major wins included:

- Structural and mechanical works for BHP Billiton's RGP5 at the Finucane Island iron ore port facilities in WA;
- Structural and mechanical shutdown works for BHP Billiton's RGP5 at Nelson Point, in WA;
- Train load out facility for BHP Billiton's RGP5 at Yandi Hub, WA;
- Structural and mechanical works at Newcrest Mining's Cadia East Project at Orange in New South Wales (NSW); and
- AG Mill structural and mechanical works for MCC at CITIC Pacific Mining's Sino Iron Project at Cape Preston in WA.

Maintenance and Industrial Services

The Maintenance and Industrial Services (M&IS) division achieved organic growth across its contracts and recorded sales revenue of \$ 188.1 million, an increase of 6.3 per cent over the previous corresponding period.

All existing contracts were retained and the division secured a three-year extension to its key multi-disciplinary maintenance and construction services contract with Oil Search in Papua New Guinea. The division invested in new capital equipment to support the additional scope growth associated with this contract.

In November, a purpose-built workshop and office facility was officially opened in Mackay, Queensland. The workshop supports mine plant upgrades, shutdowns and maintenance and repair activities and will facilitate a permanent presence in the Bowen Basin.

In total, the division was awarded approximately \$ 80 million in contract extensions over the period.

Major contract activity included:

- Maintenance and project works for Boyne Smelters in Gladstone, QLD;
- Maintenance and shutdown services for ConocoPhillips in Darwin, Northern Territory;
- Maintenance and shutdown services for Rio Tinto's coastal and inland West Pilbara operations, in WA;
- Maintenance, minor capital works and shutdown support for BHP Billiton's Olympic Dam Services at Roxby Downs, in South Australia (SA);
- Major shutdown, minor capital and maintenance services for BHP Billiton's Nickel West in WA;
- Turnarounds and maintenance services for BP at Kwinana Refinery, in WA;
- Minor capital project services for BHP Billiton's Worsley Alumina at Collie in WA;
- General maintenance for Chevron Australia at Barrow Island in WA; and
- Facilities management for Chevron Australia at Barrow Island in WA.

Infrastructure

The Infrastructure division was established on 1 July 2010 to consolidate a portfolio of projects in the areas of water, solid waste management (through a joint venture with AnaCo Ltd), transmission pipelines and aviation services. The division has successfully capitalised on opportunities in its target market sectors, progressing towards execution of the company's infrastructure strategy to deliver sales revenue of \$ 72.0 million for the period.

Following the acquisition and integration of KT Pipeline Services, Monadelphous has invested in specialised pipeline equipment to enable future growth. KT Pipeline Services specialises in high pressure gas pipeline and facilities construction. The acquisition was part of the company's strategy aimed at broadening the services provided to the infrastructure market.

Major infrastructure projects under way include:

- Civil, structural, mechanical and electrical works for the Nambucca Heads Sewerage Treatment plant and associated infrastructure for the Nambucca Shire Council in NSW; and
- Construction of the Burpengary East Sewerage Treatment Plant upgrade for the Moreton Bay Regional Council in QLD.

During the period, the division was also awarded \$ 170 million in new contracts. These included:

- Pipes, cables and tubes project for Chevron Australia's Gorgon project at Barrow Island in WA;
- Construction of intake and outfall pipelines for the desalination plant with Sino Iron at CITIC Pacific Mining's Sino Iron project at Cape Preston in WA; and
- Supply and construction of a water treatment facility at Picton near Bunbury in WA.

The company, with joint venture partner AnaeCo Ltd, received final approvals to start construction on the Western Metropolitan Regional Council's Stage II DiCOM waste management project in Shenton Park, Perth. The joint venture uses AnaeCo's patented DiCOM system to sort waste and then break down the organic component to form compost and biogas, which can be used to power the process. Any surplus can be exported to the grid as renewable energy.

The company's aviation service business Skystar Airport Services (Skystar) continued to deliver underlying business growth, supported by new contract wins with its key customer the Qantas Group, and a new customer contract with Indonesia's AirAsia. The timely and safe provision of service excellence to customers has remained the core focus of the business unit with the delivery of continued improvement in safety performance during the period.

Outlook

Monadelphous entered the 2010/11 financial year with a healthy workload and has continued to secure work across all key markets.

Engineering and construction prospects in the short to medium term remain positive with a healthy forward work load and the resources and energy project pipelines continuing to strengthen, creating ongoing high levels of tendering activity.

The company will continue to focus on attraction and retention strategies as skilled labour shortages continue to build.

While the recent Queensland floods and cyclone have affected many people, including some employees and their families, there was no significant impact on Monadelphous's Queensland operations and these events are not expected to have a material impact on the company's second half earnings.

Monadelphous expects that, with its current business activity and level of work in hand, second half sales revenue and earnings will be similar to those of the half year.

High levels of committed and planned investment in resource and energy projects provide a strong pipeline of opportunities for the company. Continued strong service delivery to blue chip customers, industry reputation and broader market exposure place Monadelphous in a strong position to capitalise on these opportunities.

The company will continue to pursue its long-term market growth strategy to maximise returns to shareholders.

INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY AND RELATED BODIES CORPORATE

As at the date of this report the interests of the directors in the shares and options of the company and related bodies corporate were:-

	Monadelphous Group Limited	
	Ordinary Shares	Options
C G B Rubino	3,004,000	Nil
R Velletri	2,125,000	375,000
I Tollman	667,586	Nil
P J Dempsey	78,000	Nil
C P Michelmore	18,597	Nil

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

Between 6 January 2011 and 28 January 2011, as a result of the exercise of employee options, 55,000 fully paid ordinary shares were issued for a total consideration of \$498,300.

On 17 February 2011, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$35,030,731, which represents a fully franked interim dividend of 40 cents per share. This dividend has not been provided for in the 31 December 2010 Financial Statements.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ending 31 December 2010 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

SIGNIFICANT CHANGES

On 1 July 2010, Monadelphous Group Limited acquired 100% of the voting shares of KT Pty Ltd, a private company based in Australia specialising in high pressure gas pipeline and facilities construction throughout Australia and overseas.

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2010.

ROUNDING

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

Signed in accordance with a resolution of the directors.



C G B Rubino
Chairman
Perth, 17 February 2011

Auditor's Independence Declaration to the Directors of Monadelphous Group Limited

In relation to our review of the financial report of Monadelphous Group Limited for the half-year ended 31 December 2010, 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.

A stylized, handwritten signature of the Ernst & Young firm.

Ernst & Young

A handwritten signature of C B Pavlovich.

C B Pavlovich
Partner
Perth
17 February 2011

To the members of Monadelphous Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Monadelphous Group Limited, which comprises the statement of financial position as at 31 December 2010, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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 Interim and Other Financial Reports 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 2010 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*. As the auditor of Monadelphous Group 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.

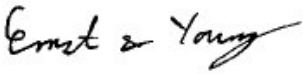
Independence

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 half-year financial report of Monadelphous Group Limited is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A stylized, handwritten signature of 'Ernst & Young' in a cursive script.

Ernst & Young

A handwritten signature, likely of C B Pavlovich, in a cursive script.

C B Pavlovich
Partner
Perth
17 February 2011

DIRECTORS DECLARATION

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

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position as at 31 December 2010 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) complying 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

A handwritten signature in black ink, appearing to read 'C. G. B. Rubino', with a large, stylized flourish above it.

C. G. B. Rubino
Chairman
Perth, 17 February 2011

**INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Notes	Consolidated Half-year ended 31 December 2010 \$'000	Consolidated Half-year ended 31 December 2009 \$'000
CONTINUING OPERATIONS			
REVENUE	2	702,529	621,454
Cost of services rendered		(616,188)	(545,406)
GROSS PROFIT		86,341	76,048
Other income	2	660	487
Business development and tender costs		(6,565)	(5,838)
Occupancy costs		(986)	(855)
Administrative costs		(14,123)	(12,403)
Finance costs		(1,234)	(928)
PROFIT BEFORE INCOME TAX		64,093	56,511
Income tax expense		(18,573)	(15,962)
PROFIT AFTER INCOME TAX		45,520	40,549
PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		45,520	40,549
Basic earnings per share for the half-year (cents per share)		52.3	47.3
Diluted earnings per share for the half-year (cents per share)		51.4	46.6

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated Half-year ended 31 December 2010 \$'000	Consolidated Half-year ended 31 December 2009 \$'000
NET PROFIT FOR THE PERIOD	45,520	40,549
OTHER COMPREHENSIVE INCOME		
Net fair value gains on available-for-sale financial assets	11,438	7,589
Foreign currency translation	1	(46)
Income tax on items of other comprehensive income	(3,431)	(2,277)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	8,008	5,266
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	53,528	45,815

**STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Notes	Consolidated as at 31 December 2010 \$'000	Consolidated as at 30 June 2010 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		161,887	149,192
Trade and other receivables		134,353	121,400
Inventories		20,866	23,547
Total current assets		317,106	294,139
Non-current assets			
Available-for-sale financial assets	4	28,318	16,880
Property, plant and equipment		97,801	91,151
Deferred tax assets		18,193	15,981
Intangible assets and goodwill		5,886	2,551
Total non-current assets		150,198	126,563
TOTAL ASSETS		467,304	420,702
LIABILITIES			
Current liabilities			
Trade and other payables		168,198	167,963
Interest bearing loans and borrowings		12,188	11,529
Income tax payable		11,376	8,906
Provisions		72,675	63,543
Total current liabilities		264,437	251,941
Non-current liabilities			
Interest bearing loans and borrowings		20,571	21,072
Provisions		4,403	3,304
Deferred tax liabilities		99	99
Total non-current liabilities		25,073	24,475
TOTAL LIABILITIES		289,510	276,416
NET ASSETS		177,794	144,286
EQUITY			
Contributed equity		46,114	30,083
Reserves		28,900	14,933
Retained earnings		102,780	99,270
TOTAL EQUITY		177,794	144,286

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Issued Capital \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2010	30,083	6,098	9,152	(317)	99,270	144,286
Other comprehensive income	-	8,007	-	1	-	8,008
Profit for the period	-	-	-	-	45,520	45,520
Total comprehensive income for the period	-	8,007	-	1	45,520	53,528
Transactions with owners in their capacity as owners						
Exercise of employee options	10,625	-	-	-	-	10,625
Shares issued on acquisition of subsidiary	5,406	-	-	-	-	5,406
Share-based payments	-	-	1,115	-	-	1,115
Deferred tax asset recognised on Employee Share Trust	-	-	4,844	-	-	4,844
Dividends paid	-	-	-	-	(42,010)	(42,010)
At 31 December 2010	46,114	14,105	15,111	(316)	102,780	177,794

Consolidated	<i>Attributable to equity holders</i>					Total \$'000
	Issued Capital \$'000	Net Unrealised Gains Reserve \$'000	Share- Based Payment Reserve \$'000	Foreign Currency Translation Reserve \$'000	Retained Earnings \$'000	
At 1 July 2009	28,941	3,559	6,271	(134)	83,928	122,565
Other comprehensive income	-	5,312	-	(46)	-	5,266
Profit for the period	-	-	-	-	40,549	40,549
Total comprehensive income for the period	-	5,312	-	(46)	40,549	45,815
Transactions with owners in their capacity as owners						
Share-based payments	-	-	1,044	-	-	1,044
Deferred tax asset recognised on Employee Share Trust	-	-	1,680	-	-	1,680
Dividends paid	-	-	-	-	(37,763)	(37,763)
At 31 December 2009	28,941	8,871	8,995	(180)	86,714	133,341

**STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Consolidated Half-year ended 31 December 2010 \$'000	Consolidated Half-year ended 31 December 2009 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	770,804	723,824
Payments to suppliers and employees	(692,258)	(651,446)
Income tax paid	(18,808)	(17,169)
Other income	536	402
Interest received	2,480	1,900
Borrowing costs	(1,235)	(928)
NET CASH FLOWS FROM OPERATING ACTIVITIES	61,519	56,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	10,777	345
Purchase of property, plant and equipment	(11,761)	(5,366)
Purchase of available-for-sale financial assets	-	(343)
Acquisition of subsidiary, net of cash acquired	(7,218)	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES	(8,202)	(5,364)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	10,625	-
Dividend paid	(42,010)	(37,763)
Repayment of borrowings	(35)	(86)
Payment of finance leases	(6,639)	(6,361)
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(38,059)	(44,210)
NET INCREASE IN CASH AND CASH EQUIVALENTS	15,258	7,009
Opening cash and cash equivalents brought forward	149,192	152,235
Net foreign exchange difference	(2,563)	(627)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD	161,887	158,617

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND 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 Monadelphous Group Limited as at 30 June 2010.

It is also recommended that the half-year financial report be considered together with any public announcements made by Monadelphous Group Limited and its controlled entities during the half-year ended 31 December 2010, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

a) Basis of Preparation

The half-year financial report is a general-purpose condensed financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 Interim Financial Reporting.

The half-year financial report has been prepared in accordance with the historical cost basis except for derivative financial instruments and available-for-sale financial assets which have been measured at fair value. The half-year financial report is presented in Australian Dollars.

For the purpose 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 consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2010, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2010, as described in Note 1 (c).

c) Changes in Accounting Policies

Australian Accounting Standards and Interpretations that have recently been issued or amended and are effective 1 July 2010 have resulted in no material changes in accounting policies and therefore no material impact on Monadelphous Group Limited's financial performance or position for the half-year ended 31 December 2010.

Monadelphous Group Limited and its subsidiaries ("the Group") has adopted all Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2010, including:

- **AASB 101 Presentation of Financial Statements**
The revised standard stipulates that the terms of a liability that could at any time result in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification as current or non-current.
- **AASB 107 Statement of Cash Flows**
The revised standard states that only expenditures that result in a recognised asset can be classified as a cash flow from investing activities.

1. BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Changes in Accounting Policies (continued)

- **AASB 117 Leases**
The revised standard removes specific guidance on classifying land as a lease so that only the general guidance remains.
- **AASB 132 Financial Instruments: Presentation**
The revised standard amends the definition of a financial liability to classify certain rights (and certain options or warrants) as equity instruments if they satisfy certain conditions.
- **AASB 136 Impairment**
The revised standard clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment defined in AASB 8 before aggregation for reporting purposes.
- **Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments**
The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are “consideration paid”. As a result, the financial liability is derecognised and the equity instruments issued are treated as consideration paid to extinguish that liability.
- **AASB 2010-3 Amendments to Australian Accounting Standards Arising from the Annual Improvements Project**
This amendment affected the following standards:
AASB 3 Business Combinations;
AASB 7 Financial Instruments: Disclosures;
AASB 121 The Effects of Changes in Foreign Exchange Rates;
AASB 128 Investments in Associates;
AASB 131 Investments in Joint Ventures;
AASB 132 Financial Instruments: Presentation; and
AASB 139 Financial Instruments: Recognition and Measurement.

Adoption of these Standards and Interpretations did not have any material effect on the financial position or performance of the Group.

d) Basis of Consolidation

Subsidiaries

The consolidated financial statements comprise the financial statements of Monadelphous Group Limited and its subsidiaries (‘the Group’) as at 31 December 2010.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

All intercompany balances and transactions, income and expenses and profit and losses arising from intra-group transactions, have been eliminated in full.

MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2010

18

d) Basis of Consolidation (continued)

Subsidiaries (continued)

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.

Where there is loss of control of a subsidiary, the consolidated financial statements include the results for the part of the reporting period during which Monadelphous Group Limited has control.

	Consolidated 31 December 2010 \$'000	Consolidated 31 December 2009 \$'000
2. REVENUE AND EXPENSES		
(a) Specific Items		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
(i) Revenue		
Rendering of services	700,105	619,513
Finance income	2,424	1,941
	702,529	621,454
(ii) Other income		
Gain on disposal of property, plant and equipment	123	85
Other income	537	402
	660	487
(b) Expenses		
Depreciation of non-current assets	10,599	8,659
3. DIVIDENDS PAID AND PROPOSED		
(a) Fully franked dividends declared and paid during the half-year	42,010	37,763
(b) Dividends proposed and not yet recognised as a liability	35,031	30,113
4. AVAILABLE-FOR-SALE FINANCIAL ASSETS		

Available-for-sale financial assets consists of investments in ordinary shares at fair value in Norfolk Group Limited (ASX Code: NFK).

AND CONTROLLED ENTITIES

NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS

31 DECEMBER 2010

5. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$5,789,413 (2009: \$8,025,897) by means of finance leases and hire purchase agreements.

6. OPERATING SEGMENTS

Revenue is derived by the consolidated entity from the provision of engineering services to the resources, energy and infrastructure industry sector. For the half-year ended 31 December 2010 the Engineering Construction division contributed revenue of \$466.8 million, the Maintenance and Industrial Services division contributed revenue of \$188.1 million and the Infrastructure division contributed revenue of \$72.0 million. Included in these amounts is \$26.8 million of inter-entity revenue. The operating divisions are exposed to similar risks and rewards, and are only differentiated to facilitate appropriate management structures.

The directors believe the aggregation of the operating divisions is appropriate for segment reporting purposes as they:

- have similar economic characteristics;
- perform similar services for the same industry sector;
- have similar core operational business processes;
- provide a diversified range of similar engineering services to a large number of common clients;
- utilise a centralised pool of engineering assets and shared services in their service delivery models, and the services provided to customers allow for the effective migration of employees between divisions; and
- operate predominately in one geographical area, namely Australia.

Skystar Airport Services is not considered material for segment reporting purposes.

Accordingly all operating divisions have been aggregated to form one reportable segment.

7. CONTINGENT ASSETS AND LIABILITIES**(a) Contingent assets**

There have been no changes in contingent assets since the date of the last annual report.

(b) Contingent liabilities

There have been no changes in contingent liabilities since the date of the last annual report, except for the following:

	Consolidated 31 December 2010 \$'000	Consolidated 31 December 2009 \$'000
Guarantees given to various clients for satisfactory contract performance	142,547	134,683

8. BUSINESS COMBINATION

On 1 July 2010, Monadelphous Group Limited acquired 100% of the voting shares of KT Pty Ltd, a private company based in Australia specialising in high pressure gas pipeline and facilities construction throughout Australia and overseas. The acquisition will expand the capabilities and range of services offered by the Group.

The upfront consideration comprised a cash payment of \$10,000,000 and 422,627 ordinary shares. The ordinary shares were issued at a fair value of \$12.79 each, based on the quoted price of the shares of Monadelphous Group Limited at the date of acquisition. A further contingent component is payable subject to KT Pty Ltd achieving certain financial targets over the period to 31 December 2011. The total consideration payable will not exceed \$30,000,000.

The fair values of the identifiable assets and liabilities of KT Pty Ltd as of the date of acquisition were:

	Consolidated Fair Value at acquisition date \$'000
Cash	2,782
Trade and other receivables	4,034
Plant and equipment	8,519
Intangible assets	3,490
Deferred tax assets	219
	19,044
Trade and other payables	689
Income tax payable	1,649
Provisions	719
Deferred tax liabilities	476
	3,533
Fair value of identifiable net assets	15,511
Goodwill arising on acquisition	382
	15,893
Acquisition-date fair-value of consideration transferred	
Shares issued, at fair value	5,406
Cash paid	10,000
Contingent consideration liability	487
Consideration transferred	15,893
The cash outflow on acquisition is as follows:	
Net cash acquired with the subsidiary	2,782
Cash paid	(10,000)
Net consolidated cash outflow	7,218

8. BUSINESS COMBINATION (continued)

The consolidated Income Statement includes sales revenue for the period ended 31 December 2010 of \$18,820,000. Net profit for the period was not material.

Key factors contributing to the \$382,000 of goodwill are the synergies existing within the acquired business, and synergies expected to be achieved as a result of combining KT Pty Ltd with the rest of the Group.

9. EVENTS AFTER BALANCE SHEET DATE

Between 6 January 2011 and 28 January 2011, as a result of the exercise of employee options, 55,000 fully paid ordinary shares were issued for a total consideration of \$498,300.

On 17 February 2011, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2011 financial year. The total amount of the dividend is \$35,030,731, which represents a fully franked interim dividend of 40 cents per share. This dividend has not been provided for in the 31 December 2010 Financial Statements.

Other than the items noted above, there are no matters or circumstances that have arisen since the end of the half-year ending 31 December 2010 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.