MONADELPHOUS GROUP LIMITED

ABN 28 008 988 547

CONDENSED CONSOLIDATED FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2013

MONADELPHOUS GROUP LIMITED
ABN 28 008 988 547
CORPORATE DIRECTORY

Directors
Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Peter John Dempsey
Lead Independent Non-Executive Director

Christopher Percival Michelmore
Independent Non-Executive Director

Company Secretaries
Zoran Bebic
Philip Trueman

Principal Registered Office in Australia
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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

HSBC
188-190 St George's Terrace
Perth
Western Australia 6000

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

Solicitors
Clifford Chance
190 St George's Terrace
Perth
Western Australia 6000

King and Wood Mallesons
152 St George's Terrace
Perth
Western Australia 6000

Controlled Entities
Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Properties Pty Ltd
Monadelphous Workforce Pty Ltd
Genco Pty Ltd
Monadelphous Electrical & Instrumentation Pty Ltd
Monadelphous PNG Ltd
Monadelphous Holdings Pty Ltd (formerly Skystar Airport Services Holdings Pty Ltd)
Moway International Limited
SinoStruct Pty Ltd
Moway AustAsia Steel Structures Trading (Beijing) Company Limited
Monadelphous Group Limited Employee Share Trust
Monadelphous KT Pty Ltd
Monadelphous Energy Services Pty Ltd
Monadelphous Singapore Pte Ltd
Monadelphous Mongolia LLC
M Workforce Pty Ltd (incorporated 4 September 2013)

Your directors submit their report for the half-year ended 31 December 2013.

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	*Chairman* Appointed 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 47 years experience in the construction and engineering services industry Also a director of one other publicly listed entity, Fortunis Resources Limited (ASX:FOT) – appointed 20 March 2012
Robert Velletri	*Managing Director* Appointed 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia Appointed as Managing Director on 30 May 2003 34 years experience in the construction and engineering services industry
Irwin Tollman	*Non-Executive Director* Appointed 26 August 1992, Resigned 31 January 2014 Chartered Accountant, Member Institute of Chartered Accountants in Australia 21 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	*Lead Independent Non-Executive Director* Appointed 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 41 years experience in the construction and engineering services industry Also a non-executive director of two other publicly listed entities: Becton Property Group Limited (ASX:BEC) – appointed 25 July 2008, resigned 26 February 2013; and Service Stream Limited (ASX:SSM) – appointed 1 November 2010
Christopher Percival Michelmore	*Independent Non-Executive Director* Appointed 1 October 2007 Civil Engineer, Fellow of the Institution of Engineers Australia Member Institution of Structural Engineers, UK 41 years experience in the construction and engineering services industry

COMPANY SECRETARIES

Zoran Bebic	*Company Secretary and Chief Financial Officer* Appointed 24 August 2009 Certified Practising Accountant, Member of CPA Australia 20 years experience in the construction and engineering services industry
Philip Trueman	*Company Secretary and General Manager, Human Resources* Appointed 21 December 2007 Chartered Accountant, Member Institute of Chartered Accountants in Australia and the South African Institute of Chartered Accountants 13 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 include:
- Fabrication, modularisation, offsite pre-assembly, procurement and installation of structural steel, tankage, mechanical and process equipment, piping, demolition and remediation works
- Multi-disciplined construction services
- Plant commissioning
- Specialist electrical and instrumentation services
- Fixed plant maintenance services
- Shutdown planning, management and execution
- Water and waste water asset construction and maintenance
- Construction of transmission pipelines and facilities
- Operation and maintenance of assets in the power sector

General

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

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 $87,108 million (2012: $79,096 million).

DIVIDENDS PAID OR PROPOSED

A 60 cent fully franked interim dividend has been approved by the directors payable on 4 April 2014 (2013: 62.0 cent interim dividend). A final fully franked dividend of $69,031,164 was paid during the period in respect of the financial year ended 30 June 2013.

REVIEW OF OPERATIONS

	2013 $'000	2012 $'000
Revenue from services	**1,276,734**	1,289,270
Profit after income tax	**87,108**	79,096

FINANCIAL OVERVIEW

The Directors of Monadelphous Group Limited are pleased to report the Company achieved a record first-half earnings result for shareholders in the six months to 31 December 2013 (H1 2014).

Revenue

Sales revenue for H1 2014 was $1,277 million, down 1.0 per cent on the previous corresponding period. Revenue remained close to record levels, despite the slowdown in the resources sector, with a high volume of construction contracts underway during the period.

Earnings

Net profit after tax (NPAT) was a record $87.1 million, an increase of 10.1 per cent. This included a one-off after-tax gain of $7.9 million from the sale of aviation support services business, Skystar Airport Services (Skystar). NPAT excluding the one-off after-tax gain from the sale of Skystar (underlying NPAT^) was up 0.1 per cent to $79.2 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) and the one-off pre-tax gain on the sale of Skystar (underlying EBITDA^) for H1 2014 was $121.4 million, a decrease of 3.1 per cent.

Earnings per share (EPS) excluding the one-off gain from the sale of Skystar (underlying EPS^) was 2.6 per cent lower at 86.3 cents.

Cash flow and dividend

Cash flow from operations was strong at $78.1 million, a conversion rate of 92 per cent. As a result, the Board declared an interim dividend of 60 cents per share, fully franked, down 3.2 per cent on the previous corresponding period. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to this dividend with a discount of 2 per cent to the issue price.

Construction revenue maintained

Revenue remained close to recent record levels as the Company continued to deliver on a high volume of construction contracts.

The unprecedented surge in construction activity over the past two years has slowed as a number of large construction contracts have been substantially completed.

Levels of capital expenditure in mining and minerals have eased, reducing the pipeline of available work and increasing competitive pressure. While all core markets are tightening, major LNG developments continue to provide significant opportunities, with a high volume of bidding activity during the latest period.

Efficiency and productivity

As announced at the 2013 full year results, the company has focused on consolidating and right-sizing the business in response to softening market conditions. Cost savings of approximately $34 million on an annualised basis have been realised to date.

The July 2013 consolidation of the infrastructure division into the operating structures of the two service-based divisions, Engineering Construction and Maintenance and Industrial Services, has supported the efficient delivery of services and is reducing fixed costs.

Continued to secure new work

Monadelphous was awarded approximately $600 million in new contracts and extensions in H1 2014, including a major iron ore construction contract and maintenance contract extensions in the oil and gas market. A further $100 million in new contracts has been signed subsequent to the reporting period, with additional awards expected in coming months.

Sale of Skystar

During the period, the Company sold its non-core aviation support services business, Skystar Airport Services, to Menzies Aviation, a division of John Menzies plc. The transaction, completed on 18 October 2013, involved the wholly owned operating subsidiaries Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd. The sale resulted in a one-off pre-tax profit of $10.4 million.

OPERATIONAL OVERVIEW

Markets

Monadelphous maintained its strong position in core markets and further strengthened its reputation as a leading construction and maintenance services provider in the growing oil and gas market as the unprecedented surge in construction activity moderated.

The Company also continued the expansion and diversification of its capabilities in new service markets with transmission pipelines and marine now making up approximately 20 per cent of revenue.

Health and safety

Monadelphous's constant focus on its core value of safety and wellbeing drove further improvements in the Company's health and safety performance, and delivered another record safety result. The total case injury frequency rate was 3.41 incidents per million man-hours worked, a 38 per cent improvement on the previous corresponding period.

A new incident management system was introduced during the period. This provides the Company with a consistent business-wide approach to health, safety, environmental and quality incident management. Enhanced reporting capabilities will help facilitate shared learning and continuous improvement.

People

The Company's total workforce at 31 December 2013 was 5,656, a decrease of 25.6 per cent on a like-for-like basis from 12 months earlier when employee numbers were near peak levels. The main focus for the period was on restructuring and right-sizing the business in response to the change in market conditions.

Costs in focus

The company-wide cost reduction program, introduced in the second half of the 2013 financial year, continued during the period and has achieved an annualised cost saving of approximately $34 million, including $17 million of annualised overhead cost reductions. The program is aimed at maintaining profitability and improving productivity and is focused on the key areas of projects, people, procurement, plant and equipment and property.

Cost reduction initiatives have included a consolidation of support and services structures, a review of project delivery methodologies, consolidation and renegotiation of major supply agreements, rationalisation of the plant and equipment fleet and tightening of expenditure processes and authorities.

OPERATIONAL ACTIVITY

Monadelphous provides a broad range of services to the resources, energy and infrastructure markets through its two operating divisions, Engineering Construction and Maintenance and Industrial Services.

Engineering Construction

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, recorded sales revenue of $960.4 million, an increase of 0.8 per cent on a like-for-like basis when compared with the previous corresponding period.

Projects substantially completed during the latest period were:

- Construction of stacking, reclaiming, train load out, product sampling and water infrastructure facilities for BHP Billiton Iron Ore's Jimblebar Mine, east of Newman in Western Australia (WA);
- Construction of the onshore DomGas pipeline for SapuraClough Sea Trucks Joint Venture, associated with the Chevron-operated Gorgon project on Barrow Island (WA);
- Structural and mechanical works associated with coarse iron ore stockpiles, installation of a screen house and a new car dumper for Rio Tinto at Cape Lambert (WA);
- Structural, mechanical and piping works for a greenfield mine processing plant at Rio Tinto's and Hancock Prospecting's Hope Downs 4 Iron Ore Project near Newman (WA);
- Structural, mechanical, piping and electrical works for Rio Tinto's Marandoo Mine Phase 2 Expansion Project, east of Tom Price (WA);
- Structural, mechanical and piping installation works for BHP Billiton Petroleum, associated with the construction of the onshore gas plant at the Macedon Gas Project near Onslow (WA); and
- Construction of the potable water supply system, including bore field, collector main, transfer pump station and 87km transfer pipeline for Rio Tinto's coastal water supply project near Pannawonica (WA).

Other major project activity included:

- A construction general services contract for Bechtel (Western Australia) at the Chevron Australia-operated Wheatstone Project near Onslow (WA);
- Construction of a CO_2 injection pipeline for the Chevron Australia-operated Gorgon project on Barrow Island (WA);
- Civil, structural, mechanical, piping and electrical and instrumentation works for a coal handling plant for BHP Billiton Mitsubishi Alliance's Caval Ridge Mine Project, south-east of Moranbah, Queensland;
- A design and construction contract, in joint venture with OSD Projects Pty Ltd, for a pipeline and a delivery station for Rio Tinto's Cape Lambert Petroleum Gas Pipeline at Cape Lambert (WA);
- Engineering, procurement and construction, with JKC, of the gas export pipeline works for the onshore facilities of the Ichthys Project in the Northern Territory;
- Structural, mechanical, piping, electrical and instrumentation works for the construction of Rio Tinto's Western Turner Brockman iron ore plant near Tom Price (WA);

- Construction of an approach jetty and ship berth through the Monadelphous Muhibbah Marine (MMM) joint venture, and a further contract to construct and commission a ship loader, associated with the Wiggins Island Coal Export Terminal Pty Ltd (WICET) project at Gladstone in Queensland; and

- The supply of fabricated steelwork for stacker bridges and runway support gantries for WICET's coal stockyard at Gladstone, Queensland.

New contracts, with a combined value of approximately $350 million, awarded during the period included:

- Design and construction of the East Nogoa Water Treatment Plant for the Central Highlands Regional Council in Emerald, Queensland;

- Construction of the Wheatstone Ashburton West Pipeline for the DBP Development Group (DDG) near Onslow (WA); and

- Supply and installation of a screenhouse, two car dumpers and associated conveyor and transfer stations for Rio Tinto Iron Ore at its Cape Lambert Port B Project in WA.

Subsequent to the reporting period, the Company signed a $100 million contract with DDG for the construction of the Fortescue River Gas Pipeline from Compressor Station 1 on the Dampier to Bunbury Natural Gas Pipeline (DBGNP) to the Fortescue-operated Solomon Iron Ore Mines in the Pilbara (WA).

Maintenance and Industrial Services

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services and shutdowns, recorded sales revenue of $317.1 million, a 6.7 per cent decline on a like-for-like basis compared with the previous corresponding period.

Volumes in maintenance were impacted by mining and minerals customers' continued focus on productivity improvements and reduction in discretionary capital spending in response to weaker commodity prices and rising costs. Oil and gas work continued to grow, and now represents almost 60 per cent of total revenue for the division.

Major contract activity during the latest period included:

- Facilities management services at the Chevron-operated Gorgon Project on Barrow Island, (WA);

- Shutdown and maintenance services for Rio Tinto's coastal and inland west operations in the Pilbara (WA);

- Maintenance and shutdown services for BHP Billiton's Nickel West operations in the Goldfields (WA);

- Maintenance and shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA, including work with Woodside through a newly integrated front-end support team to develop work packs for future shutdowns at the plant;

- Field construction services for Oil Search Limited at its oil and gas production and support facilities in Papua New Guinea;

- Multidisciplinary services at the Darwin LNG facility, operated by ConocoPhillips, in the Northern Territory; and

- General maintenance services and projects for Chevron Australia at its Barrow Island and Thevenard Island operations (WA).

During the period, the Company was awarded approximately $250 million in contract extensions including:

- A three-year extension to a field construction services contract for Oil Search Limited at its oil and gas production and support facilities in the Southern Highlands Province of Papua New Guinea;

- A two-year extension to an onshore maintenance and shutdown services contract at the ConocoPhillips-operated Darwin LNG facility in the Northern Territory; and

- A one-year extension to the facilities management services contract associated with the Gorgon Project, operated by Chevron Australia, on Barrow Island (WA).

OUTLOOK

Market conditions in the mining and minerals sector have continued to tighten as customers pull back on capital expenditure and focus on productivity and maximising returns from existing assets.

Committed and planned developments in oil and gas and iron ore will continue to provide opportunities in the short to medium term. In particular, the large volume of LNG projects moving through the mechanical and electrical phase of construction will provide major construction prospects over the coming years. Bidding activity in this market is high and the company is in a strong position to secure new contracts in both upstream and downstream LNG developments.

The long term outlook for the maintenance service market remains robust as new resources and energy developments come on stream. Whilst demand for maintenance services volumes is under significant pressure from mining and minerals customers, volumes in the oil and gas market are expected to grow as new LNG projects move to the operating phase.

As highlighted at the 2013 full-year results, the Company experienced an abnormal surge in revenue in 2011/12 and 2012/13, reflecting a period of historically high capital investment in the resources and energy industries. This is moderating and at this stage 2013/14 full-year revenue is expected to decline by approximately 10 per cent.

Monadelphous is focused on managing execution risks, improving productivity and reducing costs to protect margins that remain under pressure in an increasingly competitive environment.

The Company's leadership position in its core markets of resources and energy and increasingly diversified revenue base will support ongoing revenue opportunities and long-term growth. The Company will continue to expand its range of services in new and existing markets, including transmission pipelines, marine construction, power and water, and pursue the development of new services and geographical expansion for existing customers.

On behalf of the Board, I thank our customers for their continued patronage, our shareholders for their support and our people for their dedication, commitment and highly valued contribution.

^Underlying EBITDA is a non-IFRS earnings measure which does not have any standardised meaning prescribed by IFRS and therefore may not be comparable to underlying EBITDA presented by other companies. This measure is important to management when used as an additional means to evaluate the Company's profitability.

Reconciliation of Profit before tax to underlying EBITDA (unreviewed)

	2013 $'000	2012 $'000
Profit before tax	**117,215**	110,200
Interest expense	**1,731**	1,853
Interest received	**(1,165)**	(1,870)
Depreciation expense	**13,413**	14,534
Amortisation expense	**560**	560
Profit on disposal of subsidiaries	**(10,353)**	-
Underlying EBITDA	**121,401**	125,277

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 16 January 2014, the Company announced the award of a new pipeline construction contract with a value of approximately $100m. The contract with the Fortescue River Gas Pipeline Joint Venture is for the construction of the Fortescue River Gas Pipeline from Compressor Station 1 on the Dampier to Bunbury Natural Gas Pipeline (approximately 150km south of Dampier, northern WA) to the Fortescue Metals Group's (ASX: FMG) Solomon Hub in the Pilbara.

On 21 January 2014, the Company announced the retirement of Non-Executive Director, Irwin Tollman, from the Board, effective from 31 January 2014.

On 17 February 2014, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is $55,384,828, which represents a fully franked interim dividend of 60 cents per share. This dividend has not been provided for in the 31 December 2013 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

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 2013 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.

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

The auditor's independence declaration is set out on page 10 and forms part of the Directors' Report for the half-year ended 31 December 2013.

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 2014

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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 2013, 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

G H Meyerowitz
Partner
17 February 2014

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Independent review report to members of Monadelphous Group Limited

Report on the 31 December 2013 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 2013, 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 summary of significant 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 a 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 2013 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.

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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 2013 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*.

Ernst & Young

G H Meyerowitz
Partner
Perth
17 February 2014

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 2013 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

C. G. B. Rubino
Chairman
Perth, 17 February 2014

CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Notes	Half-year ended 31 December 2013 $'000	Half-year ended 31 December 2012 $'000
CONTINUING OPERATIONS			
REVENUE	3	**1,277,899**	1,291,140
Cost of services rendered		**(1,149,152)**	(1,149,346)
GROSS PROFIT		**128,747**	141,794
Other income	3	**3,077**	1,554
Profit on disposal of subsidiaries	10	**10,353**	-
Business development and tender costs		**(9,002)**	(8,826)
Occupancy costs		**(1,579)**	(1,398)
Administrative costs		**(13,993)**	(18,957)
Finance costs		**(1,731)**	(1,853)
Other expenses		**(20)**	(341)
Unrealised foreign currency gain/(loss)		**1,363**	(1,773)
PROFIT FOR THE PERIOD BEFORE TAX		**117,215**	110,200
Income tax expense		**(30,107)**	(31,104)
PROFIT FOR THE PERIOD AFTER TAX		**87,108**	79,096
PROFIT FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		**87,108**	79,096
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		**94.9**	88.6
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		**94.8**	86.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Half-year ended 31 December 2013 $'000	Half-year ended 31 December 2012 $'000
NET PROFIT FOR THE PERIOD	**87,108**	79,096
OTHER COMPREHENSIVE INCOME		
Items that may be reclassified subsequently to profit or loss:		
Net fair value (loss)/gain on available-for-sale financial assets	**-**	(880)
Income tax effect	**-**	264
	-	(616)
Reclassification adjustment for impairment losses included in the income statement	**-**	880
Income tax effect	**-**	(264)
	-	616
Foreign currency translation	**122**	(22)
Income tax effect	**-**	-
	122	(22)
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX	**122**	(22)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED	**87,230**	79,074

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2013

	Notes	31 December 2013 $'000	30 June 2013 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**234,620**	195,341
Trade and other receivables		**168,111**	223,221
Inventories		**149,548**	173,732
Derivative financial instruments	9a	**85**	263
Total current assets		**552,364**	592,557
Non-current assets			
Property, plant and equipment	5	**120,100**	135,656
Deferred tax assets		**29,725**	33,730
Intangible assets and goodwill		**4,237**	4,797
Available-for-sale financial assets	6	**3,511**	3,511
Total non-current assets		**157,573**	177,694
TOTAL ASSETS		**709,937**	770,251
LIABILITIES			
Current liabilities			
Trade and other payables		**159,301**	231,636
Interest bearing loans and borrowings		**20,935**	22,547
Income tax payable		**19,929**	27,269
Provisions		**126,737**	140,311
Total current liabilities		**326,902**	421,763
Non-current liabilities			
Interest bearing loans and borrowings		**25,568**	32,596
Provisions		**6,331**	7,858
Total non-current liabilities		**31,899**	40,454
TOTAL LIABILITIES		**358,801**	462,217
NET ASSETS		**351,136**	308,034
EQUITY			
Contributed equity		**106,157**	83,448
Reserves		**33,233**	30,917
Retained earnings		**211,746**	193,669
TOTAL EQUITY		**351,136**	308,034

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

	Contributed Equity $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
At 1 July 2013	83,448	30,855	62	193,669	308,034
Other comprehensive income	**-**	**-**	**122**	**-**	**122**
Profit for the period	**-**	**-**	**-**	**87,108**	**87,108**
Total comprehensive income for the period	**-**	**-**	**122**	**87,108**	**87,230**
Transactions with owners in their capacity as owners					
Exercise of employee options	**17,609**	**-**	**-**	**-**	**17,609**
Dividend reinvestment plan	**5,100**	**-**	**-**	**-**	**5,100**
Share-based payments	**-**	**1,971**	**-**	**-**	**1,971**
Deferred tax asset recognised on Employee Share Trust	**-**	**223**	**-**	**-**	**223**
Dividends paid	**-**	**-**	**-**	**(69,031)**	**(69,031)**
At 31 December 2013	**106,157**	**33,049**	**184**	**211,746**	**351,136**

	Contributed Equity $'000	Share-Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Retained Earnings $'000	Total $'000
At 1 July 2012	57,876	26,441	(210)	161,535	245,642
Other comprehensive income	-	-	(22)	-	(22)
Profit for the period	-	-	-	79,096	79,096
Total comprehensive income for the period	-	-	(22)	79,096	79,074
Transactions with owners in their capacity as owners					
Exercise of employee options	19,229	-	-	-	19,229
Share-based payments	-	3,400	-	-	3,400
Deferred tax asset recognised on Employee Share Trust	-	1,291	-	-	1,291
Dividends paid	-	-	-	(67,969)	(67,969)
At 31 December 2012	77,105	31,132	(232)	172,662	280,667

CONSOLDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2013

		Half-year ended 31 December 2013 $'000	Half-year ended 31 December 2012 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		**1,452,421**	1,414,793
Payments to suppliers and employees		**(1,341,113)**	(1,342,634)
Income tax paid		**(33,337)**	(29,363)
Other income		**730**	682
Interest received		**1,162**	1,729
Borrowing costs		**(1,731)**	(1,853)
NET CASH FLOWS FROM OPERATING ACTIVITIES		**78,132**	43,354
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		**4,994**	16,874
Purchase of property, plant and equipment		**(2,161)**	(26,910)
Proceeds from sale of subsidiary, net of cash disposed with sale of business	10	**12,285**	-
NET CASH FLOWS USED IN INVESTING ACTIVITIES		**15,118**	(10,036)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		**17,609**	19,229
Dividend paid		**(63,931)**	(67,969)
Proceeds from borrowings		**3,000**	12,418
Repayment of borrowings		**(2,852)**	(358)
Payment of finance leases		**(9,461)**	(9,073)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		**(55,635)**	(45,753)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**37,615**	(12,435)
Opening cash and cash equivalents brought forward		**195,341**	203,556
Net foreign exchange difference		**1,664**	(1,772)
CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD		**234,620**	189,349

1. CORPORATE INFORMATION

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2013 was authorised for issue in accordance with a resolution of directors on 17 February 2014.

Monadelphous Group Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES

a) Basis of Preparation

The half-year financial report is a general-purpose condensed financial report which has been prepared in accordance with AASB 134 Interim Financial Reporting.

The half-year condensed consolidated financial report does not include all information and disclosures required in the annual financial report and should be read in conjunction with the annual financial report of Monadelphous Group Limited as at 30 June 2013.

b) New and amended Accounting Standards and Interpretations

The accounting policies adopted in the preparation of the half-year condensed consolidated financial report are consistent with those adopted and disclosed in the Company's annual financial report for the year ended 30 June 2013, except for the adoption of new standards and interpretations as of 1 July 2013, noted below:

- AASB 10 Consolidated Financial Statements
  AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation – Special Purpose Entities.

  The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give you control, the impact of potential voting rights and when holding less than a majority voting rights may give control. The adoption of AASB 10 had no effect on the financial position or performance of the Group.

- AASB 11 Joint Arrangements
  AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly Controlled Entities – Non-monetary Contributions by Venturers. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removed the option to account for jointly controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

  The adoption of AASB 11 had no effect on the financial position or performance of the Group.

  Consequential amendments were also made to other standards via AASB 2011-7 and amendments to AASB 128.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

b) New and amended Accounting Standards and Interpretations (continued)

- AASB 12 Disclosure of Interests in Other Entities
  AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced regarding the judgements made by management to determine whether control exists, and to require summarised information about joint arrangements, associates and structured entities and subsidiaries with non-controlling interests.

  None of these disclosure requirements are applicable for interim condensed consolidated financial statements, unless significant events and transactions in the interim period requires that they are provided. Accordingly, the Group has not made such disclosures.

- AASB 13 Fair Value Measurement
  AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

  AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

  The adoption of AASB 13 had no effect on the financial position or performance of the Group.

  Consequential amendments were also made to other standards via AASB 2011-8 which has resulted in additional disclosures around the fair values of financial instruments. Refer to note 9 for the additional disclosures.

- AASB 119 Employee Benefits

  The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

  The adoption of AASB 119 had no effect on the financial position or performance of the Group.

  Consequential amendments were also made to other standards via AASB 2011-10.

- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

  AASB 2012-2 principally amends AASB 7 Financial Instruments: Disclosures to require disclosure of the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position, when all the offsetting criteria of AASB 132 are not met.

  The adoption of AASB 2012-2 had no effect on the financial position or performance of the Group.

2. BASIS OF PREPARATION AND CHANGES TO THE GROUP'S ACCOUNTING POLICIES (CONTINUED)

b) New and amended Accounting Standards and Interpretations (continued)

- AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
  AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following:
  - Repeat application of AASB 1 is permitted (AASB 1)
  - Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).

  The adoption of AASB 2012-5 had no effect on the financial position or performance of the Group.

- AASB 2012-9 Amendment to AASB 1048 arising from the withdrawal of Australian Interpretation 1039
  AASB 2012-9 amends AASB 1048 Interpretation of Standards to evidence the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.

  The adoption of AASB 2012-9 had no effect on the financial position or performance of the Group.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (AASB 124)
  This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

  The adoption of AASB 2011-4 had no effect on the financial position or performance of the Group.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

3. REVENUE AND EXPENSES

	31 December 2013 $'000	31 December 2012 $'000
(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	**1,276,734**	1,289,270
Finance income	**1,165**	1,870
	1,277,899	1,291,140
(ii) Other income		
Gain on disposal of property, plant and equipment	**2,347**	872
Other income	**730**	682
	3,077	1,554
(b) Expenses		
Depreciation of non-current assets	**13,413**	14,534

4. DIVIDENDS PAID AND PROPOSED

	31 December 2013 $'000	31 December 2012 $'000
(a) Fully franked dividends declared and paid during the half-year	**69,031**	67,969
(b) Dividends proposed and not yet recognised as a liability	**55,385**	56,211

5. PROPERTY, PLANT AND EQUIPMENT

During the half-year the consolidated entity acquired assets with a cost of $2,835,155 (2012: $36,308,964), including assets purchased by means of finance leases and hire purchase contracts (see Note 7).

Included in the cost of assets acquired during the half-year, is an amount of $Nil (2012: $15,723,723) relating to assets purchased then subsequently sold and immediately leased back under operating leases.

6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

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

7. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of $673,795 (2012: $9,398,336) by means of finance leases and hire purchase agreements.

8. 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 2013 the Engineering Construction division contributed revenue of $960.4 million (2012: $952.4 million*), the Maintenance and Industrial Services division contributed revenue of $317.1 million (2012: $339.8 million*) and Airport Services contributed revenue of $7.8 million (2012: $11.2 million*). Included in these amounts is $8.6 million (2012: $14.1 million) of inter-entity revenue, which is eliminated on consolidation. The operating divisions are exposed to similar risks and rewards from operations, and are only segmented to facilitate appropriate management structures.

The directors believe that 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 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.

Accordingly all service divisions have been aggregated to form one reporting segment.

* The 2012 figures have been restated to reflect the consolidation of the Infrastructure business into the Engineering Construction and Maintenance and Industrial Services divisions.

9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Forward currency contracts

At 31 December 2013, the Group had a foreign currency forward contract denominated in foreign currency. The maturity of the foreign currency forward contract has been aligned with the expected payment dates of the purchases. The Group does not apply hedge accounting and the fair value loss of $177,984 (2012: Gain $1,044,202) has been taken to the Income Statement. The fair value of the Group's financial instruments are exposed to market movements in interest and exchange rates.

(b) Fair value hierarchy

The Group uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1: The fair value is calculated using quoted prices in active markets.
Level 2: The fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).
Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable market data.

For financial instruments that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Financial instruments valuation method

Available-for-sale assets:	Calculated using quoted prices in active markets.
Derivative financial instruments:	Net present value calculated using forward exchange rates at the valuation date.
Hire purchase agreements:	The fair value includes the value of contracted cash flows, discounted at market rates.

Financial assets measured at fair value

	31 December 2013 $'000	**Level 1 $'000**	**Level 2 $'000**
Derivative financial instruments	**85**	**-**	**85**
Available-for-sale assets – Equity shares	**3,511**	**3,511**	**-**

During the six month period to 31 December 2013 there were no transfers between any level of the fair value hierarchy. No transfers between any level of the fair value hierarchy took place in the equivalent comparative period. There were no changes in the purpose of any financial asset that subsequently resulted in a different classification of that asset.

The carrying values of financial assets and financial liabilities approximate their fair values.

10. DISPOSAL OF SUBSIDIARIES

On 18 October 2013 the Group completed the sale of its subsidiaries Skystar Airport Services Pty Ltd and Skystar Airport Services NZ Pty Ltd ("Skystar") for $15,637,268 in cash, resulting in a pre-tax gain of $10,353,194. The cash flows generated from the sale of the subsidiaries have been considered in the cash flow statement as part of the investing activities.

The carrying values of the identifiable assets and liabilities of Skystar as of the date of disposal were:

	$'000
Cash	90
Trade and other receivables	4,082
Plant and equipment	2,126
Deferred tax assets	364
Total assets	6,662
Trade and other payables	252
Provisions	1,030
Deferred tax liability	96
Total liabilities	1,378
Carrying value of identifiable net assets	5,284
Profit on sale of subsidiaries	10,353
Consideration from sale	15,637
Consideration from sale	
Cash received during the reporting period	12,375
Cash received subsequent to the reporting period	3,262
Total	15,637
Cash flow on sale:	
Consideration received during the reporting period	12,375
Net cash disposed of with sale of business	(90)
Net cash inflow	12,285

11. 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 2013 $'000	Consolidated 31 December 2012 $'000
Guarantees given to various clients for satisfactory contract performance	**433,023**	383,143

12. SHARE BASED PAYMENT

In November 2013, a total of 90,000 options were granted by Monadelphous Group Limited under the Employee Option Plan – October 2013 at an exercise price of $17.05. The exercise price of the options granted under the Employee Option Plan – October 2013 was calculated as the volume weighted average closing market price of the shares for the five trading days prior to 15 October 2013. The fair value of each option issued during the half-year was estimated on the date of grant using a Binomial option-pricing model. The following weighted average assumptions were used for grants during the half-year:

Dividend yield	7.4%
Expected volatility	30.0% - 40.0%
Historical volatility	30.0% - 40.0%
Risk-free interest rate	2.79% - 3.32%
Expected life of option	25% - 2 years
	25% - 3 years
	50% - 4 years

The dividend yield reflects an analysis of past dividends and future dividend expectations. The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which also may not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

For the half-year ended 31 December 2013, the Group has recognised $1,970,702 of share-based payment expense in the Income Statement (2012: $3,399,506).

13. CAPITAL COMMITMENTS

The consolidated group has capital commitments of $150,880 at 31 December 2013 (2012: $3,316,132).

14. EVENTS AFTER BALANCE SHEET DATE

On 16 January 2014, the Company announced the award of a new pipeline construction contract with a value of approximately $100m. The contract with the Fortescue River Gas Pipeline Joint Venture is for the construction of the Fortescue River Gas Pipeline from Compressor Station 1 on the Dampier to Bunbury Natural Gas Pipeline (approximately 150km south of Dampier, northern WA) to the Fortescue Metals Group's (ASX: FMG) Solomon Hub in the Pilbara.

On 21 January 2014, the Company announced the retirement of Non-Executive Director, Irwin Tollman, from the Board, effective from 31 January 2014.

On 17 February 2014, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2013 financial year. The total amount of the dividend is $55,384,828, which represents a fully franked interim dividend of 60 cents per share. This dividend has not been provided for in the 31 December 2013 Financial Statements. The Monadelphous Group Limited Dividend Reinvestment plan will apply to the dividend.

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 2013 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.