

**MONADELPHOUS GROUP LIMITED**

**ABN 28 008 988 547**

**CONDENSED CONSOLIDATED FINANCIAL REPORT**

**HALF-YEAR ENDED 31 DECEMBER 2014**

**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

Dietmar Voss  
Independent Non-Executive Director

**Company Secretaries**

Philip Trueman  
Kristy Glasgow

**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](http://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  
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  
M&ISS Pty Ltd (incorporated 1 July 2014)  
Monadelphous Engineering NZ Pty Ltd (incorporated  
2 February 2015)

Your directors submit their report for the half-year ended 31 December 2014.

## **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 18 January 1991 Resigned as Managing Director on 30 May 2003 and continued as Chairman 48 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	<i>Managing Director</i> Appointed 26 August 1992 Mechanical Engineer, Corporate Member of Engineers Australia Appointed as Managing Director on 30 May 2003 35 years experience in the construction and engineering services industry
Peter John Dempsey	<i>Lead Independent Non-Executive Director</i> Appointed 30 May 2003 Civil Engineer, Fellow of Engineers Australia 42 years experience in the construction and engineering services industry Also a non-executive director of the following 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	<i>Independent Non-Executive Director</i> Appointed 1 October 2007 Civil Engineer, Fellow of Engineers Australia Member Institution of Structural Engineers, UK 42 years experience in the construction and engineering services industry
Dietmar Robert Voss	<i>Independent Non-Executive Director</i> Appointed 10 March 2014 Chemical Engineer 41 years experience in the oil and gas, and mining and minerals industries

## **COMPANY SECRETARIES**

Philip Trueman	<i>Company Secretary and Chief Financial Officer</i> Appointed 21 December 2007 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand and the South African Institute of Chartered Accountants 14 years experience in the construction and engineering services industry
Kristy Glasgow	<i>Company Secretary</i> Appointed 8 December 2014 Chartered Accountant, Member of Chartered Accountants Australia and New Zealand 9 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 a regional office in Beijing (China), 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 \$60.656 million (2013: \$87.108 million).

## **DIVIDENDS PAID OR PROPOSED**

A 46 cent fully franked interim dividend has been approved by the directors payable on 2 April 2015 (2014: 60.0 cent interim dividend). A final fully franked dividend of \$58,461,996 was paid during the period in respect of the financial year ended 30 June 2014.

## **REVIEW OF OPERATIONS**

	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from services	<b>1,052,013</b>	1,276,734
Profit after income tax	<b>60,656</b>	87,108

The Directors of Monadelphous Group Limited are pleased to report the Company's financial results for the six months ending 31 December 2014.

### **Revenue**

Sales revenue for the period was \$1,052 million, down 17.6 per cent on the near record levels achieved in the previous corresponding period. This was similar to the level of activity in the second half of the 2014 financial year and reflected the impact of considerably tighter market conditions and a sustained reduction in capital expenditure by customers.

### **Earnings**

Net profit after tax (NPAT) was \$60.7 million, down 23.4 per cent when compared to the underlying result in the previous corresponding period (which excluded the one-off gain from the sale of aviation support services business, Skystar Airport Services).

Earnings before interest, tax, depreciation and amortisation (EBITDA) was \$95.1 million, a decline of 24.8 per cent on an underlying basis<sup>^</sup>. This reflected the more competitive nature of the current environment and was similar to the result in the second half of the 2014 financial year.

Earnings per share (EPS) was 65.4 cents.

### **Dividend**

The Board of Directors has declared an interim dividend of 46 cents per share fully franked. The Monadelphous Group Limited Dividend Reinvestment Plan will apply to the interim dividend.

### **Strong balance sheet**

Monadelphous continued its focus on working capital management and maintained a strong balance sheet during the period. Cash flow from operations was a solid \$56.4 million, and the cash conversion rate was at 85 per cent.

The net cash position was \$184.4 million at 31 December 2014.

During the period the Company renewed its banking facilities for a further two years. The renewal was completed on improved pricing and terms and conditions, reflecting the strong long term performance of the business.

### **Secured \$450 million in new work**

New contracts and contract extensions valued at approximately \$450 million were secured in Queensland and Western Australia (WA) during the period. Work won in new service markets, including water and pipelines, demonstrated the success of Monadelphous' diversification strategy.

The new contracts included major iron ore construction work, valued at approximately \$160 million for Sino Iron, as part of the Sino Iron Project at Cape Preston, WA, and construction of a 24km gas pipeline for DDG Ashburton from its Ashburton West facilities to a new power station near Onslow in WA.

<sup>^</sup> Refer to page 9 for definitions of 'underlying' and reconciliation of EBITDA

The Company also secured an extension to its longstanding facilities management services contract associated with the Gorgon Project, operated by Chevron Australia, on Barrow Island, WA, valued at \$200 million.

On the east coast of Australia, Monadelphous secured a contract with the Australia Pacific LNG Project (APLNG) for construction of the Spring Gully Pipeline Compression Facility at Roma, Queensland, and a contract for the design, supply, construction and commissioning of the flood-affected Stages 1 - 4 of the Oxley Creek Sewage Treatment Plant for Queensland Urban Utilities.

### **Expanded presence in the water market**

In November 2014 Monadelphous entered into a purchase agreement with Water Infrastructure Group (WI Group), a subsidiary of US listed company Pentair plc, to acquire the contracts and net assets of its design, build and maintain business.

WI Group is a leading provider of water infrastructure solutions across Australia and New Zealand and will provide Monadelphous with strong capability in water design solutions, helping to expand the Company's geographical presence in the water market as well as provide significant opportunities in the growing infrastructure maintenance sector. Over the past three years the business has had an average annual turnover of approximately \$60m.

Monadelphous will make an initial cash payment of \$6 million to purchase the business. This will be followed by a purchase price adjustment either upwards or downwards in accordance with the final net asset position at completion, which is expected at the end of February 2015.

### **Wiggins Island Coal Export Terminal**

In December 2014, Monadelphous provided a market update regarding two contracts entered into by a joint venture, MMM, in which the Company's wholly owned subsidiary Monadelphous Engineering Pty Ltd holds a 50 per cent interest. MMM has been constructing the approach jetty, ship berth and ship loader associated with the Wiggins Island Coal Export Terminal at Gladstone, Queensland, since 2012.

MMM has lodged a number of claims with the owners of the project, Wiggins Island Coal Export Terminal Pty Ltd (WICET), relating to changes in the scope and nature of the works that were required to be performed.

WICET also provided MMM with notice that it intended to obtain the payment of monies WICET alleges it is owed. In December 2014, before any final resolution of claims, WICET drew down \$19.46 million under bank guarantees provided by Monadelphous.

MMM remains committed to a satisfactory resolution of the matter with WICET.

## **Productivity in focus**

The Company remained focused on reducing costs and driving productivity improvements to protect margins and ensure overheads reflect reduced activity levels.

The ongoing company-wide cost reduction program identified additional cost savings of approximately \$17 million on an annualised basis, including \$4 million in overhead reductions.

Key initiatives implemented during the six months included further reductions in staffing levels, structural changes to support and service functions to drive increased efficiency and process effectiveness, and continued disposal of surplus plant and equipment.

## **OPERATIONAL OVERVIEW**

### **Markets**

Market conditions in mining and minerals remained challenging with lower commodity prices placing further pressure on customers' budgets.

Recent falls in global oil prices led to companies in the energy sector reassessing their expansion plans and reviewing operating and maintenance expenditure.

The Company strengthened its position in new service markets, winning contracts in both water and pipelines.

### **Health and Safety**

Monadelphous achieved another record safety performance during the period. The total case injury frequency rate (TCIFR) was 3.13 incidents per million man-hours worked, an eight per cent improvement on the previous corresponding period. The Company's focus on frontline safety leadership contributed to this reduction and underlies its commitment to continued improvement in this area.

The lost time injury frequency rate (LTIFR) was 0.14 incidents per million man-hours worked.

During the period there was further development work on the Company's safety management system, with a specific focus on fatal risk controls.

### **People**

The Company's total workforce at 31 December 2014 was 4,520, down approximately 20 per cent on 12 months earlier. The reduction was in line with slowing construction activity.

The improved availability of labour has contributed to greater workforce productivity, and high levels of key talent retention and an improving trend in permanent staff turnover should support further improvements in the future.

During the period Monadelphous announced that as of November 2014 the company's Chief Financial Officer, Zoran Bebic, would be appointed to the role of Executive General Manager of the Maintenance and Industrial Services Division, following the retirement of Arif Erdash. The Board of Monadelphous would like to extend their gratitude to Arif for his valued contribution to the company's successful growth and development and wish him well for his retirement.

Philip Trueman, the company's General Manager, Human Resources, has been appointed to replace Zoran as Chief Financial Officer.

## **OPERATIONAL ACTIVITY**

Monadelphous provided a broad range of services to the resources, energy and infrastructure markets.

### **Engineering Construction**

The Engineering Construction division, which provides large-scale, multidisciplinary project management and construction services, recorded sales revenue of \$730 million, down 24.0 per cent when compared to the previous corresponding period, largely impacted by the challenging conditions in the mining and minerals market.

Major contract activity for the period included:

- Installation of onshore pipelines, cables and tubes and construction of a CO<sub>2</sub> injection pipeline for the Chevron Australia-operated Gorgon Project on Barrow Island, WA;
- Structural, mechanical and piping works, with JKC, for the utility and offsite area of the Ichthys Project Onshore LNG Facility in Darwin, Northern Territory (NT);
- Engineering, procurement and construction, with JKC, of the gas export pipeline works for the Ichthys Project Onshore LNG Facility in Darwin, NT;
- 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 Project at Gladstone, Queensland;
- Supply and installation of a screen house, two car dumpers and associated conveyor and transfer stations for Rio Tinto Iron Ore at its Cape Lambert Port B Project, WA;
- Construction of the Fortescue River Gas Pipeline from Compressor Station 1 on the Dampier to Bunbury Natural Gas Pipeline to the Fortescue-operated Solomon Iron Ore Mines for the Fortescue River Gas Pipeline Joint Venture in the Pilbara, WA;
- Design and construction of the East Nogoia 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
- Construction of Australia Pacific LNG (APLNG) Project's upstream gas processing facilities associated with its coal seam gas projects in Roma, Queensland.



New contracts awarded included:

- Structural, mechanical and piping installation and commissioning works within Concentrator Lines 3 to 6, valued at approximately \$160 million, with Sino Iron at Cape Preston, near Karratha, WA;
- Construction of the Spring Gully Pipeline Compression Facility for APLNG at Roma, Queensland;
- Design, supply, construction and commissioning of the flood-affected stages 1 – 4 of the Oxley Creek Sewage Treatment Plant in Brisbane for Queensland Urban Utilities; and
- Construction for DDG Ashburton of a 24km gas pipeline from DDG's Ashburton West facilities to a new power station near Onslow, WA.

### **Maintenance and Industrial Services**

The Maintenance and Industrial Services division, which specialises in the planning, management and execution of multidisciplinary maintenance services, sustaining capital projects and shutdowns, recorded sales revenue of \$322.9 million for the period, a 1.8 per cent increase on the previous corresponding period.

Major contract activity undertaken 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 operations in the Pilbara, WA;
- Maintenance and shutdown services for BHP Billiton's Nickel West operations in the Goldfields, WA;
- Maintenance and major shutdown services at the Woodside-operated Karratha Gas Plant at Karratha, WA;
- Field construction services for Oil Search Limited at its oil and gas production and support facilities in Papua New Guinea; and
- Multidisciplinary services and a major shutdown at the Darwin LNG facility operated by ConocoPhillips in the NT.

During the period, the Company was awarded a \$200 million contract extension to the facilities management services contract associated with the Gorgon Project, operated by Chevron Australia, on Barrow Island, WA.

## **Outlook**

The mining and minerals market remains subdued on the back of low commodity prices. Resource customers across all sectors continue to focus on optimising production and reducing costs.

The recent sharp fall in the oil price has impacted negatively on the oil and gas sector, adversely affecting the capital and operating expenditure plans of energy customers.

While opportunities for new major construction contracts have reduced, tendering continues on a number of iron ore, oil and gas and infrastructure projects and the Company has been awarded preferred contractor status on new construction work valued at approximately \$150 million.

Maintenance prospects, however, remain positive in the oil and gas sector. Monadelphous is currently tendering for a number of upstream and downstream LNG service contracts associated with several new multi-billion dollar LNG facilities moving into the operations phase.

The Company is also pursuing the extension of fabrication services to overseas customers and has generated a significant number of tendering opportunities.

Margins remain under pressure as competition increases for a smaller pipeline of work, with capital expenditure decisions delayed and operating expenditure tightened.

Monadelphous will focus on the further reduction of costs to protect margins and improve sustainability. Further consolidation of the Company's fixed cost base will be a priority.

Given the current workload and tight market conditions, sales revenue is continuing to moderate and full-year revenue is anticipated to be around 15 to 20 per cent lower than 2013/14.

The Company remains committed to advancing its long term market growth strategy through the diversification of revenue sources.

It will extend its engineering capability and broaden services to undertake multi-disciplinary projects and provide more cost-effective solutions for customers.

Monadelphous will continue to expand its position in growing infrastructure markets. The Company's recent decision to enter into a purchase agreement with Water Infrastructure Group, which will extend its footprint in the Australian and New Zealand water market, is another milestone in this strategy.

Options to extend core services in overseas markets, particularly in the growing oil and gas sector in North America, will also be pursued.

Importantly, the Company's strong balance sheet provides the capacity to pursue investment opportunities that support these diversification objectives.

On behalf of the Board, I take this opportunity to thank all our stakeholders for their loyalty and support and particularly 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)

	<b>31 December 2014 \$'000</b>	<b>31 December 2013 \$'000 Restated*</b>
Profit before tax	<b>84,622</b>	122,288
Interest expense	<b>974</b>	1,731
Interest received	<b>(2,550)</b>	(1,165)
Depreciation expense	<b>11,637</b>	13,413
Amortisation expense	<b>390</b>	560
Profit on disposal of subsidiaries	<b>-</b>	(10,353)
Underlying EBITDA	<b>95,073</b>	126,474

\* Certain amounts shown here do not correspond to the amounts disclosed in prior years' financial statements and reflect restatements made, refer to note 2b.

#### **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

On 16 February 2015, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$42,779,255, which represents a fully franked interim dividend of 46 cents per share. This dividend has not been provided for in the 31 December 2014 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 ended 31 December 2014 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 11 and forms part of the Directors' Report for the half-year ended 31 December 2014.

**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.

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

C. G. B. Rubino  
Chairman  
Perth, 16 February 2015



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Perth WA 6000 Australia  
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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 2014, 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 handwritten signature in black ink that reads 'Ernst &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'G H Meyerowitz' in a cursive style.

G H Meyerowitz  
Partner  
16 February 2015



Ernst & Young  
11 Mount Bay Road  
Perth WA 6000 Australia  
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## To the members of Monadelphous Group Limited

### Report on the 31 December 2014 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 2014, 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 2014 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 2014 and of its performance for the half-year ended on that date
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in black ink that reads 'Ernst &amp; Young'.

Ernst & Young

A handwritten signature in black ink that reads 'G H Meyerowitz'.

G H Meyerowitz  
Partner  
Perth  
16 February 2015

**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 2014 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, 16 February 2015



**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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	Notes	Half-year ended 31 December 2014 \$'000	Half-year ended 31 December 2013 \$'000 Restated
<b>CONTINUING OPERATIONS</b>			
<b>REVENUE</b>	3	<b>1,054,563</b>	1,277,899
Cost of services rendered		<b>(947,119)</b>	(1,140,621)
		<b>107,444</b>	137,278
<b>GROSS PROFIT</b>			
Other income	3	<b>2,463</b>	3,077
Profit on disposal of subsidiaries		-	10,353
Business development and tender costs		<b>(7,875)</b>	(9,002)
Occupancy costs		<b>(1,541)</b>	(1,579)
Administrative costs		<b>(16,230)</b>	(17,451)
Finance costs		<b>(974)</b>	(1,731)
Other expenses		-	(20)
Unrealised foreign currency gain		<b>1,335</b>	1,363
		<b>84,622</b>	122,288
<b>PROFIT FOR THE PERIOD BEFORE TAX</b>			
Income tax expense		<b>(23,966)</b>	(35,180)
		<b>60,656</b>	87,108
<b>PROFIT FOR THE PERIOD AFTER TAX</b>			
<b>PROFIT FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>		<b>60,656</b>	87,108
Earnings per share:			
• Basic, profit for the period attributable to ordinary equity holders of the parent (cents per share)		<b>65.36</b>	94.9
• Diluted, profit for the period attributable to ordinary equity holders of the parent (cents per share)		<b>65.36</b>	94.8

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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	<b>Half-year ended 31 December 2014 \$'000</b>	<b>Half-year ended 31 December 2013 \$'000</b>
<b>NET PROFIT FOR THE PERIOD</b>	<b>60,656</b>	<b>87,108</b>
<b>OTHER COMPREHENSIVE INCOME</b>		
<b>Items that may be reclassified subsequently to profit or loss:</b>		
Foreign currency translation	220	122
Income tax effect	-	-
	<hr/> <b>220</b> <hr/>	<hr/> <b>122</b> <hr/>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF TAX</b>	<hr/> <b>220</b> <hr/>	<hr/> <b>122</b> <hr/>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED</b>	<hr/> <b>60,876</b> <hr/>	<hr/> <b>87,230</b> <hr/>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2014**

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	Notes	31 December 2014 \$'000	30 June 2014 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		212,396	217,859
Trade and other receivables		371,264	230,833
Inventories		107,475	157,580
Income tax receivable		8,856	-
<b>Total current assets</b>		<b>699,991</b>	<b>606,272</b>
<b>Non-current assets</b>			
Property, plant and equipment	5, 3(b)	98,542	109,277
Deferred tax assets		25,174	28,086
Intangible assets and goodwill		3,400	3,791
Available-for-sale financial assets	6	1,561	2,731
<b>Total non-current assets</b>		<b>128,677</b>	<b>143,885</b>
<b>TOTAL ASSETS</b>		<b>828,668</b>	<b>750,157</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		322,446	225,862
Interest bearing loans and borrowings		17,124	20,001
Income tax payable		-	3,352
Provisions		103,030	113,346
<b>Total current liabilities</b>		<b>442,600</b>	<b>362,561</b>
<b>Non-current liabilities</b>			
Interest bearing loans and borrowings		10,869	17,030
Provisions		6,041	7,782
Deferred tax liabilities		64	119
<b>Total non-current liabilities</b>		<b>16,974</b>	<b>24,931</b>
<b>TOTAL LIABILITIES</b>		<b>459,574</b>	<b>387,492</b>
<b>NET ASSETS</b>		<b>369,094</b>	<b>362,665</b>
<b>EQUITY</b>			
Issued capital	8	115,196	112,115
Reserves		35,941	34,787
Retained earnings		217,957	215,763
<b>TOTAL EQUITY</b>		<b>369,094</b>	<b>362,665</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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	<b>Issued Capital \$'000</b>	<b>Share- Based Payment Reserve \$'000</b>	<b>Foreign Currency Translation Reserve \$'000</b>	<b>Retained Earnings \$'000</b>	<b>Total \$'000</b>
At 1 July 2014	112,115	34,667	120	215,763	362,665
Other comprehensive income	-	-	220	-	220
Profit for the period	-	-	-	60,656	60,656
<b>Total comprehensive income for the period</b>	-	-	220	60,656	60,876
<b>Transactions with owners in their capacity as owners</b>					
Exercise of employee options	1,640	-	-	-	1,640
Acquisition of reserved shares	(1,269)	-	-	-	(1,269)
Dividend reinvestment plan	2,710	-	-	-	2,710
Share-based payments	-	934	-	-	934
Dividends paid	-	-	-	(58,462)	(58,462)
<b>At 31 December 2014</b>	<b>115,196</b>	<b>35,601</b>	<b>340</b>	<b>217,957</b>	<b>369,094</b>
<b>Transactions with owners in their capacity as owners</b>					
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)
<b>At 31 December 2013</b>	<b>106,157</b>	<b>33,049</b>	<b>184</b>	<b>211,746</b>	<b>351,136</b>

**MONADELPHOUS GROUP LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2014**

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	<b>Half-year ended 31 December 2014 \$'000</b>	<b>Half-year ended 31 December 2013 \$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from customers	973,791	1,452,421
Payments to suppliers and employees	(893,837)	(1,341,113)
Income tax paid	(25,691)	(33,337)
Other income	571	730
Interest received	2,550	1,162
Borrowing costs	(974)	(1,731)
	<hr/>	<hr/>
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>56,410</b>	<b>78,132</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	2,337	4,994
Purchase of property, plant and equipment	(742)	(2,161)
Proceeds from sale of subsidiary, net of cash disposed with sale of business	-	12,285
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN INVESTING ACTIVITIES</b>	<b>1,595</b>	<b>15,118</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issue of shares	1,640	17,609
Purchase of reserved shares	(1,269)	-
Dividend paid	(55,752)	(63,931)
Proceeds from borrowings	-	3,000
Repayment of borrowings	(2,045)	(2,852)
Payment of finance leases	(7,346)	(9,461)
	<hr/>	<hr/>
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(64,772)</b>	<b>(55,635)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		
	<b>(6,767)</b>	<b>37,615</b>
Opening cash and cash equivalents brought forward	217,859	195,341
Net foreign exchange difference	1,304	1,664
	<hr/>	<hr/>
<b>CLOSING CASH AND CASH EQUIVALENTS CARRIED FORWARD</b>	<b>212,396</b>	<b>234,620</b>
	<hr/>	<hr/>

**1. CORPORATE INFORMATION**

The half-year condensed consolidated financial report of Monadelphous Group Limited for the six months ended 31 December 2014 was authorised for issue in accordance with a resolution of directors on 16 February 2015.

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 2014.

**b) Changes in accounting policies, accounting standards and interpretations**

The accounting policies adopted in the preparation of the half-year condensed consolidated financial report are consistent with those of the previous financial year.

Accounting for research and development tax incentive

As disclosed in the Financial Statements for the year ended 30 June 2014, subsequent to the half year ended 31 December 2013, the Group elected to recognise the excess of the research and development tax incentive over the statutory rate ('the R&D incentive') being an additional 10% deduction as a government grant under AASB 120 Accounting for Government Grants and Disclosure of Government Assistance. As the grant relates to R&D expenditure already incurred it is recognised in the income statement in the period it became receivable. In prior years, the whole R&D incentive was recognised as a reduction to the income tax expense. The change results in the R&D incentive being separately disclosed and simplifies the presentation of the financial statements by matching the benefit of the grant against the expenditure which generated the R&D incentive. The change in policy was applied retrospectively in accordance with Australian Accounting standards and accordingly the comparative numbers in the Income Statement relating to the half year ended 31 December 2013 have been restated.

The impact on the income statement is as follows:

	<b>31 December</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Decrease in cost of services rendered	<u>7,626</u>	<u>5,073</u>
Increase in profit before tax	<u>7,626</u>	<u>5,073</u>
Increase in income tax expense	<u>(7,626)</u>	<u>(5,073)</u>
Profit after tax	<u>-</u>	<u>-</u>

There has been no impact on retained earnings, net profit after tax, earnings per share, statement of financial position or statement of cash flows.

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

### **b) Changes in accounting policies, accounting standards and interpretations (continued)**

Monadelphous Group Limited and its subsidiaries ('the Group') has adopted all new and amended Australian Standards and Interpretations mandatory for reporting periods beginning on or after 1 July 2014, including:

- **Recoverable Amount Disclosures for Non-Financial Assets - Amendments to AASB 136**

The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.

This amendment has resulted in increased disclosures in the Group's financial statements.

- **Offsetting Financial Assets and Financial Liabilities - Amendments to AASB 132**

These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively.

These amendments have no impact on the Group, since none of the entities in the Group has any offsetting arrangements.

- **AASB 2014-1 Part A - Amendments to Australian Accounting Standards - Annual Improvements 2010 - 2012 and 2011 - 2013 Cycle**

This standard sets out amendments to Australian Accounting Standards arising from the issuance by the International Accounting Standards Board (IASB) of International Financial Reporting Standards (IFRSs) Annual Improvements to IFRSs 2010 – 2012 Cycle and Annual Improvements to IFRSs 2011 – 2013 Cycle.

Annual Improvements to IFRSs 2010 – 2012 Cycle addresses the following items:

- AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'.
- AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to AASB 137.
- AASB 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' assets to the entity's total assets.
- AASB 116 and AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts.
- AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.

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

**b) Changes in accounting policies, accounting standards and interpretations (continued)**

- AASB 13 - Clarifies that the portfolio exception in paragraph 52 of AASB 13 applies to all contracts within the scope of AASB 139 or AASB 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132.
- AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.

The adoption of these amendments had no material impact 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.



	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>3. REVENUE AND EXPENSES</b>		
<b>(a) Specific Items</b>		
Profit before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
<b>(i) Revenue</b>		
Rendering of services	1,052,013	1,276,734
Finance income	2,550	1,165
	<u>1,054,563</u>	<u>1,277,899</u>
<b>(ii) Other income</b>		
Gain on disposal of property, plant and equipment	1,892	2,347
Other income	571	730
	<u>2,463</u>	<u>3,077</u>
<b>(b) Expenses</b>		
Depreciation of non-current assets	11,637	13,413

	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>4. DIVIDENDS PAID AND PROPOSED</b>		
(a) Fully franked dividends declared and paid during the half-year	58,462	69,031
(b) Dividends proposed and not yet recognised as a liability	42,779	55,385

**5. PROPERTY, PLANT AND EQUIPMENT**

During the half-year the consolidated entity acquired assets with a cost of \$1,095,937 (2013: \$2,835,155), including assets purchased by means of finance leases and hire purchase contracts (see Note 7).

**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 \$353,559 (2013: \$673,795) by means of finance leases and hire purchase agreements.

<b>8. ISSUED CAPITAL</b>	<b>Notes</b>	<b>31 December 2014 \$'000</b>	<b>30 June 2014 \$'000</b>
Ordinary shares – Issued and fully paid	8(a)	<b>116,465</b>	112,115
Reserved shares	8(b)	<b>(1,269)</b>	-
		<b>115,196</b>	112,115

**(a) Movement in ordinary shares**

	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Number of Shares</b>	<b>\$'000</b>	<b>Number of Shares</b>	<b>\$'000</b>
Beginning of the period	92,679,570	112,115	90,940,258	83,448
Exercise of employee options	<b>118,440</b>	<b>1,640</b>	1,101,371	17,609
Dividend reinvestment plan	<b>200,370</b>	<b>2,710</b>	266,418	5,100
End of the period	<b>92,998,380</b>	<b>116,465</b>	92,308,047	106,157

**(b) Movement in reserved shares**

	<b>31 December 2014</b>		<b>31 December 2013</b>	
	<b>Number of Shares</b>	<b>\$'000</b>	<b>Number of Shares</b>	<b>\$'000</b>
Beginning of the period	-	-	-	-
Acquisition of reserved shares	<b>85,500</b>	<b>(1,269)</b>	-	-
End of the period	<b>85,500</b>	<b>(1,269)</b>	-	-

85,500 of the Group's own equity instruments have been acquired for later use in employee share-based payment arrangements (reserved shares) and have been deducted from equity.

## **9. 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 2014 the Engineering Construction division contributed revenue of \$730.0 million (2013: \$960.4 million), the Maintenance and Industrial Services division contributed revenue of \$322.9 million (2013: \$317.1 million) and Airport Services contributed revenue of \$nil (2013: \$7.8 million). Included in these amounts is \$0.9 million (2013: \$8.6 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.

**10. FINANCIAL ASSETS AND FINANCIAL LIABILITIES**

(a) 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.

Hire purchase agreements: The fair value includes the value of contracted cash flows, discounted at market rates.

Financial assets measured at fair value

	<b>31 December 2014 \$'000</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>
Available-for-sale assets – Equity shares	1,561	1,561	-

During the six month period to 31 December 2014 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.

## **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:

	<b>31 December 2014</b>	<b>30 June 2014</b>
	<b>\$'000</b>	<b>\$'000</b>
Guarantees given to various clients for satisfactory contract performance	<b>471,166</b>	507,282

## **12. SHARE BASED PAYMENT**

For the half-year ended 31 December 2014, the Group has recognised \$933,967 of share-based payment expense in the Income Statement (2013: \$1,970,702).

## **13. CAPITAL COMMITMENTS**

The consolidated group has capital commitments of \$2,719,697 at 31 December 2014 (2013: \$150,880).

## **14. EVENTS AFTER BALANCE DATE**

On 16 February 2015, Monadelphous Group Limited declared an interim dividend on ordinary shares in respect of the 2015 financial year. The total amount of the dividend is \$42,779,255, which represents a fully franked interim dividend of 46 cents per share. This dividend has not been provided for in the 31 December 2014 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 ended 31 December 2014 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.