

MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

INTERIM FINANCIAL STATEMENTS

HALF-YEAR ENDED 31 DECEMBER 2003

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

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri

Irwin Tollman

Peter John Dempsey

Company Secretary

Charles Roland Giles Everist

Principal Registered Office in Australia

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Western Australia 6153
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Facsimile: 08 9316 1950
Website: www.monadel.com.au

Postal Address

PO Box 365
APPLECROSS
Western Australia 6953

ASX Code

MND – Fully Paid Ordinary Shares

Share Registry

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St George's Terrace
PERTH
Western Australia 6000
Telephone: 08 9323 2000
Facsimile: 08 9323 2033

Bankers

National Australia Bank Limited
50 St George's Terrace
PERTH
Western Australia 6000

Solicitors

Freehills
Level 22, AMP Building
140 St George's Terrace
PERTH
Western Australia 6000

Minter Ellison
Level 49, Central Park
152 St George's Terrace
PERTH
Western Australia 6000

Lawson Smith
97 Pirie Street
ADELAIDE
South Australia 5000

Pynt and Partners
3rd Floor, Atlas Building
8 – 10 The Esplanade
PERTH
Western Australia 6000

Auditors

Ernst & Young
Level 34, Central Park
152 St George's Terrace
PERTH
Western Australia 6000

Controlled Entities

Monadelphous Engineering Associates Pty Ltd
Monadelphous Engineering Pty Ltd
Monadelphous Workforce Pty Ltd
Skystar Airport Services Pty Ltd
Monadelphous Properties Pty Ltd
Genco Pty Ltd

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MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2003.

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 as Director 18 January 1991 37 years experience in the construction industry
Robert Velletri	Managing Director Appointed as Director 26 August 1992 Mechanical Engineer, Corporate Member of the Institute of Engineers Australia 24 years experience in the construction industry
Irwin Tollman	Non-Executive Director Appointed as Director 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 12 years experience in the construction industry Retired as Executive Director on 25 July 2003 and was appointed as a Non-Executive Director
Peter John Dempsey	Non-Executive Director Appointed as Director 30 May 2003 30 years experience in the construction industry

PRINCIPAL ACTIVITIES

The principal activities during the half-year of Monadelphous Group Limited and its controlled entities were:-

- Mining and Processing Industry Maintenance
- Fixed and Mobile Mining Equipment Refurbishment
- Process Plant Modifications and Maintenance
- Project Management and Construction
- Manufacture and Fabrication
- Provision of Management, Engineering, Technical and Trades Personnel
- Plant Equipment Hire, and
- Airport Ground Handling Services

The principal activities were conducted from operations geographically located at Perth, Kalgoorlie and Barrow Island, WA; Roxby Downs, SA; Gladstone, Brisbane, and Mt Isa, Qld; Darwin and Gove, NT; and Muswellbrook, NSW.

The consolidated entity's revenue is earned predominantly from the mining and resources sector.

MONADELPHOUS GROUP LIMITED
DIRECTORS' REPORT (Cont'd)

OPERATING RESULTS

The consolidated entity profit after providing for income tax for the half-year was \$3.989 million (2002: \$3.243 million).

DIVIDENDS PAID OR PROPOSED

An 11.0 cents fully franked interim dividend has been approved by the directors payable on 12 March 2004 (2002: 8.0 cents). A final fully franked dividend of \$3.284 million was paid during the period in respect of the financial year ended 30 June 2003.

REVIEW OF OPERATIONS

	Consolidated 2003 \$'000	Consolidated 2002 \$'000
Sales Revenue	113,224	108,969
Operating Profit after Taxation	<u>3,989</u>	<u>3,243</u>

Monadelphous Group Limited's financial performance for the six-month period ending 31 December 2003 saw net profit after tax increase to \$3.99 million, up 23% on the previous corresponding period. This resulted from sales revenue of \$113.2 million, which increased by 3.9%. Earnings before interest, tax, depreciation and amortisation was \$7.85 million, an increase of 9.2% on the previous period. Earnings per share was 21.2 cents, up 20.2%, resulting in the Board approving an interim dividend payment of 11 cents per share fully franked (up from 8 cents for the previous corresponding period).

The half-year financial results continue the trend of the previous 12 months, with buoyant market conditions associated with the increasing levels of development investment in the resources sector and with the company further strengthening its position in the market.

As forecast by the Board at the full year, revenue tapered from the exceptional levels seen in 2002-03 when the company recorded virtually two years' growth in that 12 month period. The closure early in the latest half-year reporting period of marginal operations in Mount Magnet and Karratha, in northern WA, impacted sales revenue. However, a focus on earnings quality and tighter management controls resulted in improved margins.

Operational Highlights

Engineering Construction

Operational highlights for the reporting period for the Engineering Construction division included substantial completion of three major contracts associated with the expansion of BHP Billiton's Iron Ore operations in the Pilbara region of Western Australia, valued at over \$80 million. In particular:

- The successful completion of structural, mechanical and electrical works for the iron ore handling plant for the Mining Area C project.

MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT (Cont'd)

- The successful completion of civil, structural and mechanical works for the Products and Capacity Expansion Project at Nelson Point in Port Hedland.
- The substantial completion of structural and mechanical works at Finucane Island for the Products and Capacity Expansion Project in Port Hedland.

All contracts have performed on budget and schedule, achieving high levels of customer satisfaction.

Supported by its track record of exceptional operational performance, the company also secured a number of additional contracts associated with iron ore expansions in the Pilbara, valued at approximately \$30 million.

Iron ore producers Rio Tinto and BHP Billiton have announced further major expansions in the Pilbara. The company is well placed to capitalise on these developments.

Subsequent to the reporting date, in January this year the company was also awarded a major construction contract associated with the expansion of Comalco's bauxite operations at Weipa in Queensland. The contract is valued at approximately \$20 million and scheduled for completion in November 2004.

Maintenance & Industrial Services

The company is continuing its commitment to build base revenues by pursuing long-term services contracts and so moving to diversify outside the resources sector and its traditional engineering construction work in the those industries.

We have implemented the previously announced restructure to place a heavier focus on growing the company's presence and business growth opportunities in eastern states markets.

As a key part of this, the company completed the establishment of its Maintenance and Industrial Services division in Brisbane during the period.

The company's efforts were rewarded recently when Monadelphous, in joint venture with Fluor Australia, was selected as preferred tenderer for a five-year maintenance services contract in Queensland.

Other operational highlights during the period included:

- Successful progress of the General Services contract associated with Woodside Energy's North West Shelf LNG4 expansion project at Karratha in Western Australia.
- Successful completion of a major contract for shutdown works at Olympic Dam Operations for WMC Resources in South Australia.
- Award of a further major contract for shutdown works at WMC Resources' Kwinana Refinery in Western Australia.

MONADELPHOUS GROUP LIMITED
DIRECTORS' REPORT (Cont'd)

Western Metals

The company reported in July 2003 that one of its major customers, Western Metals Zinc NL, had been placed into administration. Subsequently, the Lennard Shelf operations of Western Metals were sold and the operations mothballed. As a result, in November 2003 Monadelphous ceased to provide contracted maintenance services to this facility. The balance of outstanding debts (\$400,000) have been written off in the December 2003 financial statements.

Outlook

The company maintains a confident outlook.

The half-year period has seen the company consolidate its recently implemented upgraded management structure and improve its management systems. The company has strengthened its market position as a premier service provider, successfully winning and delivering larger contracts for blue chip customers.

Medium term growth prospects are promising, with tendering activity expected to continue at a high rate.

Longer term industry prospects remain very positive with indications of a sustained period of growth in the resources sector. In particular, the company sees planned major developments in the iron ore, oil and gas, alumina, nickel and coal industries – principally in Western Australia, Queensland and the Northern Territory – providing it with big opportunities for further significant growth. Revenue flows from these projects are expected to come through in 2005 and 2006.

As stated last year, the company is still consolidating the gains made and working hard to ensure we do not encounter problems with managing the company's growth.

Considerable opportunities remain for organic growth in the company's traditional markets, however the company is continuing to seek value-adding acquisitions targeted at strategic growth.

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

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

	Monadelphous Group Limited	
	Ordinary Shares	Options
C G B Rubino	2,001,000	Nil
R Velletri	350,000	150,000
I Tollman	189,038	Nil
PJ Dempsey	6,000	Nil

MONADELPHOUS GROUP LIMITED
DIRECTORS' REPORT (Cont'd)

SIGNIFICANT CHANGES

There have been no significant changes in the state of affairs of the chief entity or the consolidated entity during the half-year.

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, 18 February 2004

Independent review report to members of Monadelphous Group Limited

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the consolidated entity comprising both Monadelphous Group Limited ("the company") and the entities it controlled during that half year, and the directors' declaration for the company, for the half year ended 31 December 2003.

The directors of the company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the consolidated entity, and that complies with Accounting Standard AASB 1029 "Interim Financial Reporting", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory professional reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our review of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report, as defined in the scope section, of Monadelphous Group Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of Monadelphous Group Limited and the consolidated entity at 31 December 2003 and of their performance for the half year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



Ernst & Young



G H Meyerowitz
Partner
Perth
18 February 2004

**MONADELPHOUS GROUP LIMITED
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:
 - (i) give a true and fair view of the financial position as at 31 December 2003 and the performance for the half-year ended on that date of the consolidated entity; and
 - (ii) comply with Accounting Standard AASB 1029 'Interim Financial Reporting' and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the consolidated entity 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, 18 February 2004

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE**

	Notes	Consolidated Half-year ended 31 December 2003 \$'000s	Consolidated Half-year ended 31 December 2002 \$'000s
REVENUES FROM OPERATING ACTIVITIES			
Cost Of Goods Sold	2(a)	113,224 <u>(102,987)</u>	108,969 <u>(99,872)</u>
GROSS PROFIT		10,237	9,097
Revenues from outside the operating activities	2(a)	1,681	521
Book value of listed investments disposed		(300)	-
Book value of non-current assets disposed		(234)	(94)
Borrowing Costs	2(b)	(221)	(135)
Business Development and Tender Costs		(1,708)	(1,750)
Occupancy Costs		(251)	(206)
Administrative Costs		<u>(3,506)</u>	<u>(2,765)</u>
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		5,698	4,668
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		<u>(1,709)</u>	<u>(1,425)</u>
NET PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		<u>3,989</u>	<u>3,243</u>
Basic earnings per share (cents per share)		21.2	17.6
Diluted earnings per share (cents per share)		20.5	17.2
Franked dividends per share (cents per share)		11.0	8.0

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
CONDENSED STATEMENT OF FINANCIAL POSITION**

	Note	Consolidated as at 31/12/2003 \$'000s	Consolidated as at 30/6/2003 \$'000s	Consolidated as at 31/12/2002 \$'000s
CURRENT ASSETS				
Cash assets		17,625	16,094	10,841
Receivables		33,004	22,943	25,581
Inventories		1,407	9,130	5,802
Prepayments		323	305	739
TOTAL CURRENT ASSETS		52,359	48,472	42,963
NON-CURRENT ASSETS				
Property, plant and equipment		18,850	19,711	17,146
Other financial assets		-	300	300
Deferred tax assets		3,293	3,479	2,954
TOTAL NON-CURRENT ASSETS		22,143	23,490	20,400
TOTAL ASSETS		74,502	71,962	63,363
CURRENT LIABILITIES				
Payables		20,689	19,055	18,220
Interest bearing liabilities		2,461	2,326	1,804
Provisions		8,691	8,736	7,091
Current tax payables		781	1,993	1,095
TOTAL CURRENT LIABILITIES		32,622	32,110	28,210
NON-CURRENT LIABILITIES				
Interest bearing liabilities		4,492	5,011	3,037
Provisions		753	741	728
Deferred tax liabilities		129	-	-
TOTAL NON-CURRENT LIABILITIES		5,374	5,752	3,765
TOTAL LIABILITIES		37,996	37,862	31,975
NET ASSETS		36,506	34,100	31,388
EQUITY				
Contributed equity	6	17,928	16,227	15,863
Reserves		1,293	1,293	1,293
Retained profits	5	17,285	16,580	14,232
TOTAL EQUITY		36,506	34,100	31,388

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
CONDENSED STATEMENT OF CASH FLOWS**

	Consolidated Half-year ended 31 December 2003 \$'000s	Consolidated Half-year ended 31 December 2002 \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	102,319	104,603
Payments to suppliers and employees	(89,424)	(94,162)
Income tax paid	(2,606)	(1,008)
Other income	90	80
Interest received	336	219
Borrowing costs	(221)	(135)
Goods and Services Tax paid	(6,610)	(5,512)
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	3,884	4,085
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of listed investments	597	-
Proceeds from disposal of non-current assets	658	223
Purchase of property, plant and equipment	(810)	(1,114)
	<hr/>	<hr/>
NET CASH FLOWS FROM/(USED) IN INVESTING ACTIVITIES	445	(891)
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(3,284)	(1,572)
Proceeds on issue of shares	1,702	363
Repayment of borrowings	(39)	(36)
Finance lease principal	(1,177)	(1,002)
	<hr/>	<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(2,798)	(2,247)
	<hr/>	<hr/>
NET INCREASE IN CASH HELD	1,531	947
Opening cash brought forward	16,094	9,894
	<hr/>	<hr/>
CLOSING CASH CARRIED FORWARD	17,625	10,841
	<hr/>	<hr/>

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2003**

1. BASIS OF PREPARATION OF THE FINANCIAL REPORT

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

It is recommended that the half-year report is read in conjunction with the annual financial statements of Monadelphous Group Limited as at 30 June 2003, together with any public announcements made by Monadelphous Group Limited and its controlled entities during the half-year ended 31 December 2003, in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of accounting

The half-year financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 1029: "Interim Financial Reporting" and other mandatory professional reporting requirements (Urgent Issues Group Consensus Views).

The financial report has been prepared in accordance with the historical cost convention.

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

(b) Changes in accounting policies

The accounting policies adopted are consistent with those applied in the 30 June 2003 annual financial report.

(c) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with current year disclosures.

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2003**

	Consolidated 31 December 2003 S'000s	Consolidated 31 December 2002 S'000s
2. PROFIT FROM ORDINARY ACTIVITIES		
(a) Significant Items		
Profit from ordinary activities before income tax expense includes the following revenues and expenses whose disclosure is relevant in explaining the financial performance of the entity:		
Revenue from Operating Activities	<u>113,224</u>	<u>108,969</u>
Revenues from outside the Operating Activities		
Proceeds on disposal of non-current assets	658	223
Interest received – other	336	219
Proceeds from disposal of investments	597	-
Other income	<u>90</u>	<u>79</u>
Total revenues from outside the operating activities	<u>1,681</u>	<u>521</u>
Total revenues from ordinary activities	<u>114,905</u>	<u>109,490</u>
(b) Expenses		
Depreciation of non-current asset		
Plant and equipment	2,138	2,486
Buildings	<u>130</u>	<u>122</u>
Total depreciation expenses	<u>2,268</u>	<u>2,608</u>
Borrowing costs expensed		
Finance lease charges	213	124
Interest expense – other persons	<u>8</u>	<u>11</u>
Total borrowing costs expensed	<u>221</u>	<u>135</u>

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2003**

	Consolidated 31 December 2003 \$'000s	Consolidated 31 December 2002 \$'000s
3. DIVIDENDS PAID OR PROVIDED FOR		
Fully franked dividends paid during the half-year	3,284	1,572
Dividends proposed and not recognised as a liability	2,150	1,479

**4. NON-CASH FINANCING AND
INVESTING ACTIVITIES**

Finance lease transaction

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$830,769 (2002: \$2,107,989) by means of finance leases and hire purchase agreements.

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2003**

	Consolidated 31 December 2003 \$'000s	Consolidated 30 June 2003 \$'000s
5. RETAINED PROFITS		
Balance at the beginning of period	16,580	11,002
Adjustment to retained profits on adoption of Accounting Standard AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets"	-	1,559
Net profit attributable to members of Monadelphous Group Limited	<u>3,989</u>	<u>7,070</u>
Total available for appropriation	20,569	19,631
Dividends paid during the period	<u>(3,284)</u>	<u>(3,051)</u>
Retained profit at end of period	<u>17,285</u>	<u>16,580</u>
6. CONTRIBUTED EQUITY		
(a) Issued and paid up capital 19,318,602 ordinary shares fully paid (30/06/03: 18,639,102)	<u>17,928</u>	<u>16,227</u>
(b) Movements in shares on issue		
Number of shares:	Number	Number
- beginning of the financial period	18,639,102	18,339,102
- issued during the period	<u>679,500</u>	<u>300,000</u>
- end of financial period	<u>19,318,602</u>	<u>18,639,102</u>

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL STATEMENTS
31 DECEMBER 2003**

7. SUBSEQUENT EVENTS

31 December 2003

Subsequent to 31 December 2003, the company issued 50,000 options under the 6th Monadelphous Group Limited Employee Share Option Plan at an exercise price of \$4.54. In addition to this, employees and directors have exercised the option to acquire 222,500 fully paid ordinary shares at a weighted average exercise price of \$1.69 since the reporting date.

On 18 February 2004, the Board declared an interim dividend of 11 cents per share, fully franked, payable on 12 March 2004, to all shareholders registered at close of business on Friday 5 March 2004.

8. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from engineering services to the resources and energy industries. The consolidated entity operates predominantly within the one sector in Australia.

9. CONTINGENT ASSETS AND LIABILITIES

Since the date of the last annual report there has been no change in any of the contingent liabilities or contingent assets.

10. ADDITIONAL INFORMATION

Effective 1 July 2002, for the purposes of income taxation, Monadelphous Group Limited and its 100% owned subsidiaries have formed a tax consolidated group. Members of the group have agreed to enter into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. The agreement will also provide for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At the balance date, the possibility of default is remote. The head entity of the tax consolidated group is Monadelphous Group Limited. The impact of entering into a tax consolidated group has not had a significant impact on the deferred tax balances in the Statement of Financial Position.