

MONADELPHOUS GROUP LIMITED

A.B.N. 28 008 988 547

INTERIM FINANCIAL REPORT

HALF-YEAR ENDED 31 DECEMBER 2004

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

Directors

Calogero Giovanni Battista Rubino
Chairman

Robert Velletri
Managing Director

Irwin Tollman
Non-Executive Director

Peter John Dempsey
Non-Executive Director

Company Secretary

Charles Roland Giles Everist

Principal Registered Office in Australia

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Western Australia 6953

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

Solicitors

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

Mallesons Stephen Jaques
Central Park
152 St George's Terrace
Perth
Western Australia 6000

Bankers

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

ASX Code

MND – Fully Paid Ordinary Shares

Auditors

Ernst & Young
The Ernst & Young Building
11 Mounts Bay Road
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
MBF Workforce Pty Ltd

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MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT

Your directors submit their report for the half-year ended 31 December 2004.

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 38 years experience in the construction and engineering services industry
Robert Velletri	Managing Director Appointed as Director 26 August 1992 Mechanical Engineer, Corporate Member of the Institution of Engineers Australia 25 years experience in the construction and engineering services industry
Irwin Tollman	Non-Executive Director Appointed as Director 26 August 1992 Chartered Accountant, Member Institute of Chartered Accountants in Australia 13 years experience in the construction and engineering services industry
Peter John Dempsey	Non-Executive Director Appointed as Director 30 May 2003 Civil Engineer, Fellow of the Institution of Engineers Australia 31 years experience in the construction industry

PRINCIPAL ACTIVITIES

Engineering Construction

Providing larger-scale multi-disciplinary project management and construction services, including:

- Structural, mechanical, tankage and piping construction
- Design and construct
- Turnkey packages

Maintenance and Industrial Services

Providing comprehensive, single-source support services to operating facilities, including:

- Maintenance of above and below ground mining and mineral processing facilities and mobile plant
- Maintenance of oil and gas production and processing facilities
- Shutdown planning, management and execution

MONADELPHOUS GROUP LIMITED
DIRECTORS' REPORT (cont'd)

PRINCIPAL ACTIVITIES (cont'd)

- Specialist concrete and structural repairs
- Mill reline services
- Labour and equipment hire
- Airport ground handling services

The Monadelphous Group operates from major offices in Perth and Brisbane with a network of regional offices and workshop facilities in Kalgoorlie, Darwin, Gove, Roxby Downs, Gladstone, Mt Isa and Muswellbrook.

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

OPERATING RESULTS

The consolidated entity's profit after providing for income tax for the half-year was \$7.998 million (2003: \$3.989 million).

DIVIDENDS PAID OR PROPOSED

A 21.0 cents fully franked interim dividend has been approved by the directors payable on 18 March 2005 (2003: 11.0 cents). In addition to the interim dividend, a 20.0 cents fully franked special dividend has been approved by the directors, also payable on 18 March 2005. A final fully franked dividend of \$3.721 million was paid during the period in respect of the financial year ended 30 June 2004.

REVIEW OF OPERATIONS

	Consolidated	Consolidated
	2004	2003
	\$'000	\$'000
Revenues from Operating Activities	199,512	113,224
Net Profit after Taxation	<u>7,998</u>	<u>3,989</u>

Monadelphous Group Limited's financial performance for the six-month period ending 31 December 2004 saw profit after tax surge to \$8.0 million, an increase of 101% on the previous corresponding period from sales revenue of \$199.5 million, up 76%. Earnings before interest, tax, depreciation and amortisation was \$13.6 million, up 73% on the previous period. Earnings per share increasing 93% to 40.9 cents (21.2 cents previously).

As a result of this strong performance, the Board has declared an interim dividend of 21 cents per share fully franked, an increase of 91% over the previous corresponding period. In addition, due to strong cash flows, the Board has decided to reward shareholders immediately with a special dividend of 20 cents per share fully franked. The interim dividend and the special dividend will be paid to shareholders on 18 March 2005 with the record date for entitlements being 11 March 2005.

MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT (cont'd)

The Board is mindful of the company's ever strengthening balance sheet and is forecasting ongoing favourable trading conditions over the next two or three years. It has therefore flagged its intention to pay further special dividends in addition to its established dividend policy of paying 60% to 70% of after tax profit. Subject to unforeseen events, the Board is intending to pay a special dividend together with its September final dividends for both the 2005/06 and 2006/07 financial years.

The Board is recommending a share split in the ratio of four new shares for each existing share held, with the details thereof to be determined and communicated to shareholders in due course. The share split is subject to shareholder approval and is expected to take place before the end of June 2005.

The company expects that the share split will increase liquidity in Monadelphous shares which is to the benefit of all shareholders. Shareholders should be aware that, with everything else being equal, the expected effect of the share split should see the Monadelphous share price fall to approximately 25% of the prevailing market price. The net effect on shareholders, with everything else being equal, is no unfavourable change to their total investment in Monadelphous as a result of the share split.

The half-year's exceptional results reflect the company's continuing success at securing and executing an increasing number of major engineering construction and industrial services contracts in the buoyant resources sector. Results for the half-year were boosted by a number of major construction contract wins in the latter part of last financial year resulting in a surge in revenue to the end of December.

Resource development activity throughout the sector is at record levels with most of the company's major customers planning and/or undergoing expansions of their operations. The company is experiencing rapid growth in demand for its services after having established a reputation as one of Australia's leading resource development contractors.

Engineering Construction

The Engineering Construction division has undergone rapid growth over the half-year. Forward workload for the division is near capacity with numerous further engineering construction opportunities forecast over the next couple of years.

During the period, Monadelphous secured a number of additional major engineering construction contracts, including:

- The design and construction of coal handling facilities associated with the Rolleston Coal Project for Xstrata Coal in Queensland, valued at approximately \$25 million.
- The construction of the Sulphuric Acid Plant associated with BHP Billiton's Ravensthorpe Nickel Project in Western Australia, valued at approximately \$35 million.
- Structural and mechanical construction works associated with the expansion of Rio Tinto's Iron Ore operations in Western Australia's Pilbara region, valued at approximately \$40 million.

MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT (cont'd)

Subsequent to the end of the reporting period, the company recently secured additional structural and mechanical works associated with Rio Tinto's Iron Ore operations in Western Australia, valued at approximately \$35 million.

Revenues were significantly boosted during the period by substantial successful progress on a number of major engineering construction projects, including:

- Completion of construction works associated with the expansion of Comalco's bauxite operations at Weipa in Queensland.
- Substantial completion of construction works associated with the expansion of Hamersley Iron's Yandi iron ore plant in the north west of Western Australia.
- Substantial progress of construction works associated with Hamersley Iron's Parker Point expansion in Karratha, Western Australia.
- Construction works associated with the Burrup Fertiliser Ammonia Plant Project in Karratha, Western Australia.

Maintenance and Industrial Services

The Maintenance and Industrial Services division continued to develop its revenue base, securing a number of long-term contracts and new major customers during the period.

In particular, the company's push to expand its services operations in Queensland continued its momentum with Monadelphous selected as the preferred contractor to provide mechanical trade services at Comalco's Boyne Smelter operations in Gladstone. This follows on from the company's earlier success in securing (in joint venture with Fluor Australia) a five-year reliability services contract at Comalco's Alumina Refinery in Gladstone.

Additionally, Monadelphous was selected as the preferred tenderer for a major maintenance shutdown contract with Australia's largest fertiliser supplier Incitec Pivot at their Gibson Island works in Brisbane.

In Western Australia, the company was selected as the preferred maintenance services provider for the newly constructed HIsmelt steel operations in Kwinana, where operations are due to commence early in 2005.

Other highlights for the period included:

- Successful completion and close out of the general services contract associated with Woodside Energy's North West Shelf LNG4 expansion project in Karratha, Western Australia.
- Establishment of site operations for the provision of minor capital works at BHP Billiton's Worsley Alumina Refinery in the south west of Western Australia.

MONADELPHOUS GROUP LIMITED

DIRECTORS' REPORT (cont'd)

- Establishment of Skystar Airport Services interstate for the first time with new contracts secured at Brisbane Airport. New ground handling contracts were also secured with Malaysian Airlines and Valuair in Perth, in addition to the existing service there for Emirates Airline. This growing niche business has more than doubled revenues from approximately \$3 million per year to approximately \$7-8 million per year.

Management and Development

There are no shortages of opportunities in the marketplace. We are only constrained by resources, particularly the shortage of skilled labour in the construction industry. This is a major ongoing challenge for the company.

Staff recruitment and retention activities will remain a key focus in the second half of the year. The company is implementing its 'right people' strategy to ensure ongoing retention and development of its highly talented and skilled staff.

The company increased its staffing levels by 30% in the first half of the year to match the increased business demand. Skilled labour shortages in the Australian market resulted in the company recruiting a number of professional engineering staff from overseas. Total staff numbers have grown from about 1,200 at 30 June 2003 to approximately 2,000 at present.

The company is looking to consolidate staff numbers and our key people while still maintaining the momentum of the business in the second half.

Health and Safety continues to be a high priority, with the company undertaking a significant performance improvement program. Initiatives to upgrade the company's management systems and improve front line supervisory training were underway during the period. Injury rates are showing positive signs of improvement, with half-year results showing a 20 % reduction in total case injury frequency rates.

Outlook

The company has exceeded all expectations and recorded an outstanding result for the first half of the year. Monadelphous is well on track to exceed its targeted \$300 million revenue for the 2004/05 financial year.

The market outlook for short and medium term continues to be very positive with the company in a strong position to continue to capitalise on the many resource development opportunities in the pipeline.

The company is mindful of the need to control its growth and will be focussed on consolidating its hard earned position in the market and cementing its increased revenue base, particularly in light of growing skills resource constraints in the industry.

The terrific results achieved by the company for the half highlight the calibre of dedicated and committed people who make up Monadelphous. I take this opportunity, on behalf of the Board to thank them for their outstanding efforts and congratulate them on an exceptional result.

**MONADELPHOUS GROUP LIMITED
DIRECTORS' REPORT (cont'd)**

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	400,000	100,000
I Tollman	189,038	Nil
P J Dempsey	12,000	Nil

SIGNIFICANT CHANGES

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

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

The auditor's independence declaration is set out on page 7 and forms part of the Directors' Report for the half-year ended 31 December 2004.

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.



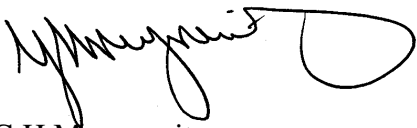
C G B Rubino
Chairman
Perth, 22 February 2005

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 2004, 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
Perth
22 February 2005

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 the, and the directors' declaration for the company, for the period ended 31 December 2004.

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 financial 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. 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.


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 of the consolidated entity, comprising Monadelphous Group Limited and the entities it controlled during the half year is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2004 and of its 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

22 February 2005

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 report and notes of the consolidated entity:
 - (i) give a true and fair view of the financial position as at 31 December 2004 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, 22 February 2005

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

	Notes	Consolidated Half-year ended 31 December 2004 \$'000s	Consolidated Half-year ended 31 December 2003 \$'000s
REVENUES FROM OPERATING ACTIVITIES			
Cost of services rendered	2(a)	199,512 (184,046)	113,224 (102,987)
GROSS PROFIT		15,466	10,237
Revenues from outside the operating activities	2(a)	2,406	1,681
Book value of listed investments disposed		-	(300)
Book value of non-current assets disposed		(831)	(234)
Borrowing costs	2(b)	(387)	(221)
Business development and tender costs		(1,354)	(1,708)
Occupancy costs		(342)	(251)
Administrative costs		(4,027)	(3,506)
Share of net profits of joint ventures accounted for using the equity method		469	-
PROFIT FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		11,400	5,698
INCOME TAX EXPENSE RELATING TO ORDINARY ACTIVITIES		(3,402)	(1,709)
PROFIT FROM ORDINARY ACTIVITIES AFTER INCOME TAX EXPENSE		7,998	3,989
NET PROFIT ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		7,998	3,989
TOTAL CHANGES IN EQUITY OTHER THAN THOSE RESULTING FROM TRANSACTIONS WITH OWNERS AS OWNERS ATTRIBUTABLE TO MEMBERS OF MONADELPHOUS GROUP LIMITED		7,998	3,989
Basic earnings per share (cents per share)		40.9	21.2
Diluted earnings per share (cents per share)		39.9	20.5
Franked interim dividend per share (cents per share)		21.0	11.0
Franked special dividend per share (cents per share)		20.0	-

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

	Note	Consolidated as at 31/12/2004 \$'000s	Consolidated as at 30/6/2004 \$'000s
CURRENT ASSETS			
Cash assets		25,599	15,864
Receivables		45,382	45,164
Inventories		5,621	1,141
Prepayments		150	486
TOTAL CURRENT ASSETS		76,752	62,655
NON-CURRENT ASSETS			
Property, plant and equipment		31,812	19,567
Investments accounted for using the equity method		248	-
Other financial assets		-	332
Deferred tax assets		4,447	3,548
TOTAL NON-CURRENT ASSETS		36,507	23,447
TOTAL ASSETS		113,259	86,102
CURRENT LIABILITIES			
Payables		35,441	28,084
Interest-bearing liabilities		5,576	2,786
Provisions		11,031	9,158
Current tax liabilities		2,598	1,271
TOTAL CURRENT LIABILITIES		54,646	41,299
NON-CURRENT LIABILITIES			
Interest-bearing liabilities		13,103	4,472
Provisions		1,447	723
Deferred tax liabilities		388	337
TOTAL NON-CURRENT LIABILITIES		14,938	5,532
TOTAL LIABILITIES		69,584	46,831
NET ASSETS		43,675	39,271
EQUITY			
Contributed equity	6	18,431	18,304
Reserves		1,293	1,293
Retained profits	5	23,951	19,674
TOTAL EQUITY		43,675	39,271

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

	Consolidated Half-year ended 31 December 2004 \$'000s	Consolidated Half-year ended 31 December 2003 \$'000s
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	198,852	102,319
Payments to suppliers and employees	(171,598)	(89,424)
Income tax paid	(2,925)	(2,606)
Other income	101	90
Interest received	582	336
Borrowing costs	(387)	(221)
Goods and Services Tax paid	(8,979)	(6,610)
	<hr/>	<hr/>
NET CASH FLOWS FROM OPERATING ACTIVITIES	15,646	3,884
	<hr/>	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of listed investments	-	597
Proceeds from disposal of non-current assets	1,723	658
Purchase of property, plant and equipment	(1,870)	(810)
	<hr/>	<hr/>
NET CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES	(147)	445
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid	(3,721)	(3,284)
Proceeds on issue of shares/options	127	1,702
Repayment of borrowings	(41)	(39)
Payment of finance leases	(2,129)	(1,177)
	<hr/>	<hr/>
NET CASH FLOWS USED IN FINANCING ACTIVITIES	(5,764)	(2,798)
	<hr/>	<hr/>
NET INCREASE IN CASH HELD	9,735	1,531
Opening cash brought forward	15,864	16,094
	<hr/>	<hr/>
CLOSING CASH CARRIED FORWARD	25,599	17,625
	<hr/> <hr/>	<hr/> <hr/>

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2004**

1. BASIS OF PREPARATION OF THE HALF-YEAR 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 report of Monadelphous Group Limited as at 30 June 2004, together with any public announcements made by Monadelphous Group Limited and its controlled entities during the half-year ended 31 December 2004, 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 2004 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 REPORT
31 DECEMBER 2004**

	Consolidated 31 December 2004 \$'000s	Consolidated 31 December 2003 \$'000s
2. PROFIT FROM ORDINARY ACTIVITIES		
(a) Specific 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		
Revenue from services	199,512	113,224
Revenues from outside the Operating Activities		
Proceeds on disposal of non-current assets	1,723	658
Interest received	582	336
Proceeds from disposal of investments	-	597
Other income	101	90
Total revenues from outside the operating activities	2,406	1,681
Total revenues from ordinary activities	201,918	114,905
(b) Expenses		
Depreciation of non-current asset		
Plant and equipment	2,268	2,138
Buildings	119	130
Total depreciation expenses	2,387	2,268
Borrowing costs expensed		
Finance lease charges	382	213
Interest expense – other persons	5	8
Total borrowing costs expensed	387	221

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2004**

	Consolidated 31 December 2004 \$'000s	Consolidated 31 December 2003 \$'000s
3. DIVIDENDS PAID OR PROVIDED FOR		
Fully franked dividends paid during the half-year	3,721	3,284
Fully franked dividends proposed and not recognised as a liability	8,115	2,150

4. NON-CASH FINANCING AND INVESTING ACTIVITIES

During the half-year the consolidated entity acquired plant and equipment with an aggregate fair market value of \$13,592,112 (2003: \$830,769) by means of finance leases and hire purchase agreements.

5. RETAINED PROFITS

Balance at the beginning of the half-year	19,674	16,580
Net profit attributable to members of Monadelphous Group Limited	7,998	3,989
Total available for appropriation	27,672	20,569
Dividends paid during the half-year	(3,721)	(3,284)
Retained profits at end of the half-year	23,951	17,285

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2004**

	Consolidated 31 December 2004 \$'000s	Consolidated 30 June 2004 \$'000s
6. CONTRIBUTED EQUITY		
(a) Issued and paid up capital 19,582,102 ordinary shares fully paid (30 June 2004: 19,541,102)	18,431	18,304
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(b) Movements in shares on issue	Number	Number
Number of shares:		
- beginning of the financial period	19,541,102	18,639,102
- issued during the period	41,000	902,000
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- end of financial period	19,582,102	19,541,102
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7. SUBSEQUENT EVENTS

Subsequent to 31 December 2004, the company issued 975,000 options under the 7th Monadelphous Group Limited Employee Share Option Plan at an exercise price of \$7.80. In addition to this, employees and directors have exercised the option to acquire 197,500 fully paid ordinary shares at an exercise price of \$1.69 and 12,500 fully paid ordinary shares at an exercise price of \$2.82 since the reporting date.

On 22 February 2005, the Board declared an interim dividend of 21.0 cents per share, fully franked, payable on 18 March 2005, to all shareholders registered at close of business on 11 March 2005.

In addition to the interim dividend, the Board also declared a special dividend of 20.0 cents per share, fully franked, payable on 18 March 2005, to all shareholders registered at close of business on 11 March 2005.

The Board is recommending a share split in the ratio of four new shares for each existing share held, with the details thereof to be determined and communicated to shareholders in due course. The share split is subject to shareholder approval and is expected to take place before the end of June 2005.

8. SEGMENT INFORMATION

Revenue is derived by the consolidated entity from construction, engineering and maintenance services to the resources and petrochemical industries. The consolidated entity operates predominantly within the one business segment in one geographical segment, namely Australia.

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2004**

9. 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 2004 \$'000s	Consolidated 30 June 2004 \$'000s
Guarantees given to various clients for satisfactory contract performance	22,382	16,366

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS

For reporting periods beginning on or after 1 January 2005, the consolidated entity must comply with Australian equivalents to International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. This interim financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP) applicable for reporting periods ending on 31 December 2004.

Impact of transition to IFRS

The consolidated entity's IFRS Implementation Project is on schedule to finalise adoption of IFRS within the required timeframe. To date, the IFRS project team has analysed most of the Australian Accounting Standards that are equivalent to IFRS and has identified the main accounting policy changes that will be required.

Whilst it is not expected that there will be any substantial adverse impact on the consolidated entity's statements of financial performance and position from the application of IFRS in comparison with the adoption of current stated accounting policies there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the consolidated entity. This summary should not be taken as an exhaustive list of all differences between current Australian GAAP and IFRS.

**MONADELPHOUS GROUP LIMITED
AND CONTROLLED ENTITIES
NOTES TO AND FORMING PART OF THE HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2004**

10. INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

Share based payments

Under IFRS the consolidated entity will be required to determine the fair value of options issued to employees as remuneration and recognise an employee benefits expense in the Statement of Financial Performance over the vesting period. On transition, only those instruments granted after 7 November 2002 remaining unvested at 1 January 2005 are recognised.

Impairment of assets

The recoverable amount test under AASB 136 "*Impairment of Assets*" is more rigorous and prescriptive and requires that the recoverable amount of an asset be determined as the higher of net selling price and value in use. This will result in a change in the group's current accounting policy which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy, it is likely that any impairment of assets may be recognised sooner and that the amount of any write-downs may be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

Classification of Financial Instruments

Under AASB 139 "*Financial Instruments: Recognition and Measurement*", financial instruments will be required to be classified into one of five categories which will, in turn, determine the accounting treatment of the item. The classifications are: loans and receivables – measured at amortised cost; financial assets held to maturity – measured at amortised cost; financial assets and liabilities held for trading measured at fair value with fair value changes taken to net profit and loss; financial assets available for sale – measured at fair value with fair value changes taken to equity; and non-trading liabilities – measured at amortised cost. This will result in a change in the current accounting policy that does not classify financial instruments. Current measurement is at amortised cost. The future financial effect of this change in accounting policy is not yet known as the classification and measurement process has not yet been fully completed.

Income taxes

Under AASB 112 "*Income Taxes*" the consolidated entity will be required to use a balance sheet liability method which focuses on the tax effects of transactions and other events that affect amounts recognised in either the Statement of Financial Position or a tax-based balance sheet. The most significant impact will be the recognition of a deferred tax liability in relation to the asset revaluation reserve. Previously, the capital gains tax effects of asset revaluations were not recognised. It is not expected that there will be any further material impact as a result of adoption of this standard.